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Φ D 8523A

BRITAIN
The poor man of Europe
Page 7

World News

Iraq raises stakes in war of words about oil

Iraq raised the stakes in the war of words with its Arab neighbours over oil production, accusing Kuwait of violating the Iraqi border to steal Iraqi oil reserves and suggesting bluntly that Arab loans to Iraq be written off. Page 16

Cosmonaut crisis
Soviet cosmonauts Anatoly Solovyov and Alexander Balandin almost ran out of oxygen in space when they spent seven hours trying to close a jammed exit hatch on a module of the Mir-2 space station. They are due to return to earth on August 9.

Warning to Moi
Foreign donors who have poured billions of dollars into Kenya because of its image of stability and democracy are threatening to cut off aid unless President Daniel arap Moi makes political reforms. Page 16

HK rights diluted
Hong Kong has watered down its proposed Bill of Rights, which is intended to sustain basic rights after the colony reverts to Chinese sovereignty in 1997. Page 16

Lithuania defiant
Rebel Lithuania's icy relations with the Soviet military worsened when the republic moved towards setting up a separate defence force. Page 2

Spain recalls envoy
Spain recalled its ambassador in Havana for consultations in a dispute over Cuban security police entering its embassy. Cuba accused Spain's foreign minister of ignorance. Pressure on Castro, Page 5

Suicide threat ends
Homeless Israelis at Bat Yam, near Tel Aviv, who climbed to a rooftop and threatened to commit mass suicide, ended their protest after being promised a meeting with Housing Minister Ariel Sharon.

Fire follows quake
Up to 150 factory workers, buried when a powerful earthquake hit the northern Philippines, burned to death as fire swept through the wreckage where they lay trapped.

Test for Andreotti
Italy's Christian Democratic government, led by Prime Minister Giulio Andreotti, struggled to avert a split over a law regulating advertising on private and state-run television.

Delors in Moscow
European Commission president Jacques Delors arrived in Moscow to study ways of helping President Mikhail Gorbachev transform his failing economy.

Ambush kills 26
At least 26 black people were killed when their bus was ambushed in South Africa's Natal province, where rival anti-apartheid groups frequently clash.

Garbo art for sale
Paintings, furniture and rare books collected by reclusive film star Greta Garbo will be auctioned in New York by Sotheby's. They are expected to raise more than $20m.

Better friends
President Carlos Menem of Argentina greeted the first British ambassador appointed to Buenos Aires since the Falkland Islands war between the two countries in 1982.

Sex gene theory
British scientists believe they have found the gene which determines an embryo's sex.

Karl Menninger dies
Karl Menninger, who introduced psychiatry to the American people and founded the world's first psychoanalytic hospital, died in Topeka, Kansas, aged 96.

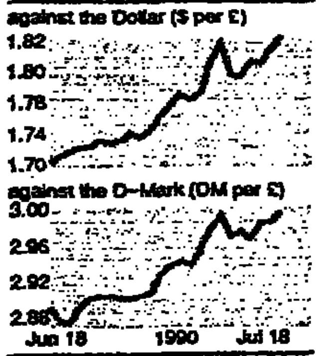
Business Summary

British Steel announces 40% stake in Aristrain

BRITISH STEEL unveiled plans to acquire 40 per cent stake in Jose Maria Aristrain, Spain's largest producer of structural sections for the construction industry. Page 17

STERLING dropped below DM2.9900 ($1.81) against the D-Mark.

Sterling



The fall came after a report that the UK still regards financial restrictions among some members of the European Community as a problem for sterling's full membership of the European Monetary System. Page 36

MARKETS: In Tokyo the Nikkei closed at 33,048.11, down 124.17. In Paris the CAC 40 index closed at 2,029.60, up 10.10. Back Page, Section II

CAP Gemini Sogeti, French computer software and services house, emerged as the victor in negotiations to acquire control of Hoskyns, leading UK computer services group. Page 17

ASEA Brown Boveri, Swiss-Swedish engineering group, announced that it was linking up with two Portuguese companies to form a joint venture which will be Portugal's fifth biggest industrial company. Page 27

GALLIMARD and Mondadori, French and Italian publishing houses are to announce an equity link. Page 18

PIRELLI TYRE Holding, Dutch-based holding company for the tyre activities of Italy's Pirelli group, said its first-half figures were likely to be significantly lower than in the same period of 1989. Page 18

SEVEN European steel producers were found guilty by the Brussels Commission of operating a price and production cartel in stainless steel. They were fined a token Ecu425,000 ($531,250). Page 2

FINANCIAL markets have shrugged off Canada's recent political upheavals, pushing the Canadian dollar to its highest level in a decade. Page 5

BANK of Melbourne, former building society which suffered a run on funds at the start of the week, said heavy withdrawals had stopped and deposits appeared to be returning to the bank. Page 4

US is heading for further confrontation with the European Community on farm subsidies unless Brussels changes its negotiating approach, said Mr Clayton Yeutter, US Agriculture Secretary. Page 3

THE UK Post Office made an extraordinary loss of £60.2m ($107.7m) when it sold Girobank and its leasing subsidiaries this year, according to the Post Office's annual report. Page 7

MCI Communications, second largest US long distance telephone network after AT&T, reported higher earnings with contributions coming from both commercial and residential customers. Page 19

NATIONAL Union of Mineworkers, UK mining union, is today likely to consider sueing Paris-based International Miners Organisation for the return of up to £1.8m ($3.2m) held in accounts abroad. Page 7

Soviet scientists warn of disarray in nuclear industry

By Quentin Peel in Moscow

REPRESENTATIVES of the Soviet nuclear power industry have issued an urgent appeal to President Mikhail Gorbachev, the Soviet leader, warning that post-Chernobyl public opposition has reduced the industry to almost total disarray.

They revealed that so far design and construction of nuclear generating capacity totalling more than 100,000MW – or the equivalent of some 50 medium-sized power stations – had been halted because of public pressure.

Permanent pickets and demonstrations outside several operating plants could threaten the safe operation of the power stations, while a collapse in recruitment into atomic engineering could force some plants to be closed for lack of qualified operators, according to the government minister responsible.

The warnings were issued after a meeting of Soviet nuclear physicists, summoned at the Ministry of Atomic Energy, underlining the effect of Soviet public pressure on the industry since the 1986 Chernobyl disaster.

The scientists approved a formal appeal to the Soviet President, and to the Supreme Soviets and governments of all the republics of the country, stressing the urgent need to work out a national power-engineering programme, and to identify the place of nuclear power in the programme.

"Under public pressure, design, survey and construction work to launch nuclear power plants with a total capacity of more than 100m kilowatts (100,000MW) has been discontinued," the appeal said, according to Tass news agency.

"This move results in direct losses worth billions of roubles, a figure that could multiply many times in the future.

"Highly qualified collectives are falling apart, the enrolment of gifted young people in higher schools is falling off. The growing negative attitude towards nuclear power plants extends to the people who work at them, in regions where nuclear power installations are located."

In an address to the meeting, reported by Tass Mr Vitaly Konovalov, Minister for Atomic Energy, warned that the public protests at plants throughout the country "can eventually affect the safety of operating power units."

As far as recruitment was concerned, the plummeting prestige of power engineers had caused a drastic drop in enrolment at colleges and universities. "If the situation does not change soon, the need may arise to shut down nuclear power plants, leaving entire regions of the country without power supplies."

The region probably most dependent on nuclear power is the west of the country, including the Ukraine and Belorussia, where the radiation caused by the Chernobyl disaster is also most severe. One quarter of all arable land in Belorussia is now regarded as unusable because of radiation contamination from the accident, and tens of thousands of people are still facing evacuation.

Mr Konovalov called for urgent work with the public, and through the mass media, to persuade people that nuclear power was essential to the national economy.

Moscow to restructure debt, Page 16

Fujitsu ready to take majority stake in ICL of Britain

By Alan Cane in London

FUJITSU, Japan's leading computer manufacturer, is expected within two weeks to take a majority shareholding in ICL, Britain's largest computer manufacturer, in a deal which will fundamentally restructure the European computer industry.

The agreement, which is likely to precipitate a political furore in the UK, is expected to be signed on or about July 30 to coincide with the publication of ICL's interim results.

ICL, the information technology subsidiary of STC of the UK, is the UK's only manufacturer of mainframe computers and a major supplier to local and central government. It has been regarded as the UK's national computer champion.

The Fujitsu deal will be the second major investment in the UK computer industry by a Japanese electronics group in the past two months. In May, Mitsubishi of Japan bought the manufacturing arm of Apricot, the UK's leading personal computer manufacturer.

Sources close to the company indicate that Fujitsu will buy at least 50 per cent and possibly over 60 per cent of ICL's equity. City of London estimates place the value of ICL at between £900m and £1.5bn ($1.6bn-$2.7bn).

While the deal has not yet been signed, ICL senior managers are resigned to the Japanese takeover. One said it was a "national tragedy". But others believed the influx of new capital together with Fujitsu's technological expertise and global marketing capability could only be good for ICL.

ICL remains officially non-committal about the deal, saying only that the company is continuing to explore possible partnerships. But Mr Peter Bonfield, its chairman and managing director, giving a speech on Tuesday night to the British Computer Society, said, "Judging by developments in this industry, a fortnight may be a lifetime in IT [information technology]."

While Fujitsu had been favoured as a possible partner for ICL, most analysts had expected a shareholding of only about 25 per cent and the fact that STC is prepared to sell what is regarded as its crown jewel is a surprise.

ICL is now the most consistently profitable of European computer manufacturers, making pretax profits of £145.7m on sales of £1.61bn last year.

Mr Arthur Walsh, STC chairman, has, nevertheless, been seeking an equity partner for ICL to help share the huge research and development costs necessary to stay at the forefront of computer technology for several months and has had discussions with a number of potential partners.

In recent weeks speculation has increasingly centred on Fujitsu which has a long-standing technological partnership with ICL. Mr Takuma Yamamoto, Fujitsu president, said in May that the two companies would continue to work together for their mutual benefit and that Fujitsu would be willing to take an equity stake.

The sale of ICL will raise immediate questions about the future of STC. Mr Walsh has repeatedly indicated that he sees ICL's computer technology as the key to STC's role as a company specialising in the convergence of computers and communications. Without ICL, STC could be worth less than £500m and have limited capabilities as a telecommunications company.

Northern Telecom of Canada holds 27 per cent of STC shares and has consistently denied that it intends selling its stake.

Background, Page 14; Lex, Page, 16

US Secretary of State James Baker (right) answers questions before his meeting with Soviet Foreign Minister Eduard Shevardnadze at the US embassy in Paris yesterday

US turns to Vietnam in bid to block Khmer Rouge

By Robert Mauthner, Diplomatic Correspondent, in London

THE US, in a major policy shift, yesterday announced that it would open discussions with Vietnam, aimed at preventing the widely condemned Khmer Rouge from returning to power in Cambodia.

The new US policy was made public in Paris by Mr James Baker, US Secretary of State, after a two-hour meeting with Mr Eduard Shevardnadze, his Soviet opposite number.

The change in Washington's position was immediately welcomed by Mr Shevardnadze as helping to narrow the differences between the US and the Soviet Union on regional problems.

Mr Baker's announcement amounted to a complete U-turn in the position of the US which, since North Vietnam's victory in the Indochina war in 1975, has not ceased its attempts to isolate Vietnam both diplomatically and economically.

Although the US has had some contacts with Vietnam over the past few years, these have been restricted essentially to trying to establish the fate of missing American servicemen.

"We want to do all we can to prevent the return of the Khmer Rouge to power," Mr Baker said. "The Khmer Rouge have succeeded in turning the political dialogue into a dialogue of the battlefied. We want to talk to Vietnam because we think they have influence with the Cambodian Government and could use that influence to help us construct conditions that would permit the election of a free government."

In making his announcement, Mr Baker acknowledged publicly for the first time that Vietnam had withdrawn most of the troops it had kept in Cambodia since its invasion of the country in 1978 with the aim of overthrowing the ruling Khmer Rouge.

The Khmer Rouge's control of the country in the 1970s, when an estimated 2m Cam-

Continued on Page 16

Background, Page 4; Editorial comment, Page 14

Greenspan may consider lower interest rates if deficit is cut

By Peter Riddell, US Editor, in Washington

THE US Federal Reserve would consider lowering interest rates if "major, substantive, credible" cuts in the country's budget deficit were agreed, Mr Alan Greenspan, the Fed chairman, said yesterday.

Mr Greenspan's assurance, his firmest so far, was given in his half-yearly report to Congress. He also said that in spite of pockets of weakness "the economy still appears to be growing, and the likelihood of a near-term recession seems low."

However, he conceded that the Fed, the country's central bank, saw the risk of recession as "a shade larger" than the risk of an upturn in inflation.

He spoke as President George Bush called Congressional leaders to the White House to provide "a little nudge" to the two-month-long budget negotiations.

The Administration wants to achieve at least an outline deficit agreement by the start of the Congressional recess in early August, and Mr Greenspan's assurance that a cut in interest rates will follow may help to move the talks along.

Mr Greenspan said the Fed wanted to keep credit conditions "about where they are." He explained last week's actions leading to a slight fall in the Fed funds rate, the main official indicator, as "not an easing, but an offset of independent market tightening (by commercial banks)."

This problem might require further offsetting action, he said. There had been some restraint in lending, affecting particular types of loans and certain regions, but he denied that this represented a credit crunch.

In general he presented a cautiously optimistic view of the economy, noting that it had weathered the savings and loan crisis without serious disruptions in interest rates and other areas, while business stocks and inventories remained under control.

"Things are not going all that badly," he said.

Throughout his testimony, Mr Greenspan stressed that "a major cut in the budget deficit is unquestionably the right thing to do."

At the conclusion of Mr Greenspan's testimony, Senator Donald Riegle, chairman of the Senate Banking Committee, pointed out that the Fed chairman had changed his view of the implications of tighter lending criteria in only three weeks, and might change it further.

"The warning flags are out to some extent," he said, indicating that his committee might summon Mr Greenspan for further evidence if policy was changed again.

The political pressures on Mr Bush from his own party not to agree to higher taxes were underlined when Republicans in the House of Representatives approved a resolution opposing any budget plan that includes new taxes and any tax-rate increases.

Meanwhile, a proposal for a constitutional amendment requiring a balanced federal budget narrowly failed to achieve the necessary two-thirds majority in the House.

Janet Bush adds from New York: US stocks and bonds fell yesterday in reaction to Mr Greenspan's remarks and after consumer prices figures showed more serious inflationary pressures than expected.

The Dow Jones Industrial Average fell 18.07 to close at 2,981.68. The dollar closed in New York at the top end of the session's range at Y147.75 and DM1.6485.

The Treasury's benchmark long bond ended ⅝ of a point lower to yield 8.54%.

Central to the slump in bond prices was the Fed's raised inflation estimate. This, along with other comments, was taken as a sign that it may be prepared to tolerate higher inflation in favour of keeping the economic expansion going.

Greenspan sees "sluggish" growth, Page 4

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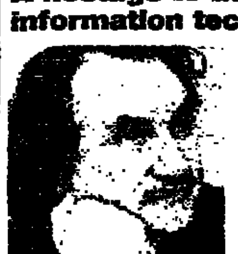
A hostage to the fortunes of information technology



Sir John Harvey-Jones' period as chair man of ICI was distinguished not only by a transformation in the company's fortunes and morale, but also by the widespread introduction of information technology. Page 8

MARKETS

STERLING
New York close
$1.816 (1.8165)
London:
$1.8205 (1.812)
DM2.9925 (2.9825)
FFr10.04 (10.0025)
SFr2.585 (2.5475)
Y268.0 (268.75)
£ Index 94.3 (94.0)

GOLD
New York: Comex Aug
$362.5 (363.0)
London:
$360.5 (361.25)

N SEA OIL (Argus)
Brent 15-day Aug
$18.5 (18.3)

Chief price changes yesterday: Page 17

DOLLAR
New York close
DM1.646 (1.644)
FFr5.5235 (5.515)
SFr1.414 (1.4045)
Y147.55 (147.845)
London:
DM1.6435 (1.646)
FFr5.515 (5.52)
SFr1.4085 (1.406)
Y147.25 (148.35)
$ Index 65.3 (65.7)
Tokyo close: Y147.25

US Closing rates
Fed Funds 8.0% (8)
3-mo Treasury Bills:
yield: 7.79% (7.625)
Long Bond:
102$\frac{3}{16}$ (103)
yield: 8.54% (8.46)

STOCK INDICES
FT-SE 100:
2,402.0 (-13.0)
FT Ordinary:
1,900.6 (-12.3)
FT-A All-Share:
1,177.97 (-0.4%)
New York close
DJ Ind. Av.
2,985.4 (-14.35)
S&P Comp
364.48 (-3.04)
Tokyo: Nikkei
33,048.11 (-124.16)

LONDON MONEY
3-month interbank:
closing 14$\frac{27}{32}$% (14$\frac{31}{32}$)
Liffe long gilt future:
Sep 84$\frac{7}{8}$ (84$\frac{27}{32}$)

French budget

Paris aims to cut deficit to FFr80bn in 1991

By William Dawkins in Paris

THE FRENCH GOVERNMENT yesterday confirmed that it is to intensify its policy of budgetary toughness to reduce its budget deficit next year to FFr80bn ($14.4bn) from the current FFr90bn.

Mr Michel Rocard, the Prime Minister, yesterday finalised the spending side of the 1991 budget which envisages a 5.4 per cent rise in public spending to FFr1,285bn, slightly below the forecast 5.5 per cent nominal growth in gross national product (GNP). It will be presented to parliament in the autumn.

The lower deficit will come partly from extra tax revenue generated through real economic growth. Inflation next year is forecast at 2.5 per cent and real GDP growth at 3 per cent.

The Government has pledged, however, that there will be no rise in taxation as a proportion of GNP. The budget aims to restrain defence spending and to hold civil service jobs steady at around 2.5m overall.

This is after the creation of 11,000 new teaching jobs and 1,200 new prison service posts, which will require staff cuts in other ministries.

Defence is to get a 3 per cent increase to FFr221bn, within which the equipment budget has received a small cut in real terms after an intense battle between Mr Pierre Chevènement, the Defence Minister and Mr Pierre Bérégovoy, the Finance Minister.

Even so, this leaves France one of the few Western countries not to cut its overall defence spending next year. Industry is another area to feel the squeeze, where the Government has kept contributions to state-owned companies stable at FFr4.7bn – a small but controversial budget line.

The main beneficiaries are expected to be Thomson, the defence and electronics group; Bull, the computer company; and Aerospatiale and Snecma in aerospace.

The big budget priorities, as last year, are education and research. Here the Government is planning a 9 per cent rise to FFr250bn in education spending, 80 per cent of which will go on teachers' salaries, consolidating the departments's position as the largest spending ministry.

Civil research spending is set for a 7.5 per cent rise to FFr48bn. Another area to get a bigger rise than average is culture where Mr Jack Lang, the minister, who has a reputation as a tough bargainer, needs to finance a new national library next year and is receiving a 17 per cent boost.

Foreign affairs receives a 9 per cent increase on the grounds that extra resources are needed to boost the French presence in eastern Europe, while environment is due for a 15 per cent increase.

Brussels imposes token fine on stainless steel cartel

By Lucy Kellaway in Brussels

SEVEN LARGE European steel producers were found guilty by the Brussels Commission yesterday of operating a price and production cartel in stainless steel. They were fined a token Ecu425,000 (£298,000).

The Commission admitted the fine was out of all proportion to the scale of what it described as a "serious infringement of the competition rules." However, it justified its decision by arguing that the whole steel market was so highly protected that companies might have gained the impression that competition rules did not apply.

None the less, it warned producers that steel would no longer be considered a special case, and that further moves to pervert the free market would be treated like any other infringements.

Between 1986 and 1988 all of the largest stainless steel producers – including British Steel, Krupp Stahl of West Germany and Ugine Aciers de Chatillon of France – agreed an illegal quota and prices system covering 17 European countries and a wide range of steel products.

This was in breach of the European Coal and Steel Treaty, and came to an end in 1988, following a complaint from the Commission.

Stainless steel was one of the few areas not covered by legal cartels operated by the Commission which were themselves phased out 18 months ago when all remaining steel quotas were abolished.

The token fine is bound to be seen by consumers as a sop to the steel industry, which is now making good profits. Earlier this summer consumer groups complained about a price rise that appeared to have been closely co-ordinated between the producers, and which Brussels said it would examine.

Officials said yesterday's action marked the end of an era in European steel, which was now able to survive on its own. Fines have become increasingly rare, and yesterday's was the first to be imposed for over 10 years.

The other companies involved were ALZ of Belgium, Terni Acciai Speciali of Italy and Thyssen Edelstahlwerke of West Germany. Spanish, Swedish and Finnish companies were also part of the cartel, but were not fined.

Lithuanians and Latvians challenge Moscow rule again

By Quentin Peel in Moscow

TWO of the three Soviet Baltic republics have thrown down blatant new challenges to the rule of Moscow, calling into question the promised negotiations on their transition to independence.

Lithuania, which has suspended its declaration of independence pending the negotiations, has now approved a provisional law on local military service, challenging the right of the Soviet armed forces to conscript Lithuanians.

Instead, the rebellious republic is proposing to set up its own military units, to protect its borders and guard civilian installations, according to Tass, the Soviet news agency.

At the same time neighbouring Latvia has decided to set up its own customs service, to police its borders with other Soviet republics, and prevent black market trade.

Lithuania's move is the more surprising, in that it would appear to contradict the agreement to suspend all laws following on from its original declaration of independence on March 11. President Mikhail Gorbachev's press spokesman, Mr Arkady Maslennikov, said yesterday that "if this contravenes that agreement, it would not be helpful."

The Lithuanian law is only supposed to come into force in the autumn, and the parliament still has to pass a resolution to put it into effect. However it seems certain to give further ammunition to the Soviet military establishment, already deeply concerned at the consequences of the Baltic secessionist moves for Soviet security.

In Latvia, the decision to set up an independent customs service was motivated both by political and economic reasons, according to its new director.

Mr A.Salins told the newspaper Komsomolskaya Pravda that the move would mean road blocks on roads to neighbouring Soviet republics.

"It was dictated first by political motives, linked with Latvia's declaration of independence," he said. "The second reason is purely economic. Various commodities are being taken out of Latvia in huge commodities. The scope and range of these goods is simply appalling."

The measure was also intended to help introduce a new stable and convertible republican currency, he said.

From July 1, the Latvian government had imposed new import and export regulations, issuing licences to importers and exporters for a fee of Rbs50 ($89.5).

Desperate Muscovites fight for a smoke at a kiosk in the capital

Cigarette famine is more than just a drag for Soviet smoker

MR MIKHAIL GORBACHEV may have survived the revolt of his conservative critics at the latest Communist Party conference, but he is in danger of stoking up a far more dangerous backlash: the revolt of the Soviet smoker.

Shortages of sugar, soap, detergents, matches, and even meat are all very well, but the millions of Soviet chain-smokers are showing signs of growing desperation that their cigarettes are also now in increasingly short supply.

Citizens have been scouring the streets of Moscow in recent weeks as cigarettes, even of the cheapest and foulest brands, have all but disappeared from the shops.

Journalists seldom known to stir from their desks turned up at the party congress press centre, drawn by the rumour (which proved true) that a special supply of Kosmos cigarettes had been left at the local kiosk. Queues of two hours and more are reported, where it is worth queuing at all.

In the industrial city of Dnepropetrovsk, famous only as the home of Mr Leonid Brezhnev's "mafia" of Communist Party cronies, there have been two virtual riots in the past week, as cigarette supplies failed to be delivered from the local factory.

Hundreds of desperate smokers blocked the city's streets, stopping public transport, when it became known that the lorry from the local tobacco factory was not going to arrive that day.

The newspaper Komsomolskaya Pravda reported yesterday that only six out of the 24 cigarette factories in the Soviet Union were working, while the other 18 had been forced to close down for lack of materials. The lack of cardboard has hit the cheapest Soviet *papirosy* (with cardboard holders) in addition to regular brands.

Quentin Peel on another failure of the system which has the population gasping

"Cigarette smokers have this alternative," the newspaper said. "Either save money, or give up smoking."

The problem, according to Pravda, that normally most reliable of all Soviet organs, is that instead of producing the 455bn cigarettes which Soviet smokers consume each year, the tobacco factories have fallen short by 50bn.

That in turn is due to the growing dislocation of Soviet supply lines, and the extraordinary monopolies of production created by the central planning system. A factory in Armenia, caught in the rail blockade by neighbouring Azerbaijan, has failed to maintain supplies of silver foil, so proper cigarette packs can no longer be made.

Another in Latvia has consistently failed to deliver the filter tips and cigarette tips it is supposed to send to all the main tobacco plants – in Sverdlovsk, Rostov-on-Don, Kirgizia, Tajikistan and Kazakhstan, as well as Moscow.

Not only that, but the tobacco growers of Moldavia have drastically reduced the acreage under tobacco production, in favour of more lucrative crops, while selling more and more abroad for hard currency, according to Pravda.

Foreign cigarettes are occasionally on sale – Rbs15 (£15 at the official exchange rate) for a packet of West German HB at the local supermarket, and up to Rbs20 for a packet of Marlboro on the black market. As for Soviet cigarettes, many smokers are reduced to the Herzegovina brand favoured by Stalin, who emptied out the strong tobacco into his pipe to smoke it.

But even Pravda can find a silver lining. The country is suffering from chronic excess money supply. "If the situation in the tobacco industry is not rectified quickly, then a packet of cigarettes will soon begin to swallow up all the cash from circulation." It might be a blessing in disguise.

Proposals may ease airline rules

By Tim Dickson in Brussels

PROPOSALS to soften the impact of deregulation on European airlines were tabled yesterday by the European Commission.

The ideas – which will form the basis of talks between Brussels, airlines, and airline users across the EC – will allow carriers to conduct limited consultations with each other over fares and to maintain their involvement in the allocation of "slots" at airports in the run up to full liberalisation on January 1 1993.

Although highly technical, the so-called "block exemptions" to EC competition rules illustrate the contrast between the gradualist approach to airline reform in Europe and the more radical measures taken by legislators in the US.

Officials in Brussels admit that fares have tumbled much more dramatically in North America – but they point out that some changes have not necessarily benefited the consumer. One example is the virtual disappearance in the US of "interlining", whereby tickets can be issued for complex journeys involving more than one airline and passengers are able to change to another flight easily and at limited financial cost if their plans suddenly change.

The EC view is that these facilities should remain available to European travellers – hence the proposal to continue allowing consultations on passenger tariffs where interlining arrangements are at stake.

Sanctioning discussions on the allocation of take off and landing "slots" and airport scheduling may prove more controversial with small airlines – but Brussels emphasised yesterday that this practice would depend on big carriers providing competitors with "genuine opportunities" at congested airports and at peak times.

● Commission officials were unmoved by reports that a Belgian court's ruling against Sabena World Airlines, the joint venture between Sabena, British Airways, and KLM, could have implications for EC competition policy.

E Germany to play by EC competition rules

By Lucy Kellaway

EAST GERMANY has promised to abide by European Community competition rules from now on, even though it is not obliged to do so until German unification next year.

The pledge, made to Sir Leon Brittan, the competition Commissioner, during a visit to Berlin, follows rising concern in Brussels at a possible abuse of EC rules in East Germany, where large monopolies are being bought up by big West German companies.

Sir Leon said yesterday that companies in other member states had complained that they had not had a fair chance to win contracts in East Germany nor to participate fully in privatisation there.

The East German Government denies any discrimination but assured Sir Leon that it would ensure non-German companies had a fair deal.

It also conceded that any mergers which were the subject of complaints could be examined by the Commission. Earlier this month, Sir Leon announced an investigation of the purchase by Ruhrgas, a powerful West German gas company, of a 35 per cent stake in East Germany's transmission network.

The Commission has also written informally to Lufthansa, Deutschebank and other West German companies concerning recent deals.

Mr Gerhard Pohl, the East German Economics Minister, and Mr Lothar De Maizière, the Prime Minister, also agreed with Sir Leon that officials from both sides would keep in close touch. Sir Leon had complained that he had only found out about some of the big mergers from the newspapers.

Sir Leon said yesterday that the assurances had been given without any discussion of the legal position of applying competition law right away.

● West Germany yesterday agreed to suspend at least until the end of the year a lorry tax due to have come into effect at the beginning of July, writes David Marsh in Bonn.

This followed a ruling at the end of last month by the European Court turning down the tax on the grounds that it discriminated against non-German lorries and undermined moves towards a common EC transport market.

Greece calls Turkish behaviour 'erratic'

GREEK Prime Minister Constantine Mitsotakis strongly criticised neighbouring Turkey yesterday, saying the Nato ally had lost self-control and was behaving erratically, Reuter reports from Athens.

In some of his harshest criticism of the traditional rival since assuming power in April, he accused Ankara of premeditated violations of Greek airspace and noted recent provocative moves on the divided island of Cyprus.

Reports last week that Turkish-Cypriot forces would soon take over from regular Turkish troops in the deserted tourist town of Famagusta appeared to fuel Mr Mitsotakis's statements.

Famagusta has been abandoned since Turkish troops invaded Cyprus in 1974 following a short-lived coup in Nicosia orchestrated by the military junta then ruling Greece.

The reports sparked speculation that Turkish-Cypriot leader Mr Rauf Denktash planned to settle the once-predominantly Greek-Cypriot resort. Mr Mitsotakis told reporters he had concluded "with sadness that Turkey had of late lost its self-control and was reacting erratically".

"Turkey must realise, it is impossible for the occupation by foreign troops of part of an independent country such as Cyprus to continue," he said.

There are 29,000 Turkish troops in the Turkish Republic of Northern Cyprus, which is recognised only by Ankara.

Commission plans new data protection rules

By Lucy Kellaway

THE European Commission yesterday proposed data protection rules which would make it illegal for personal data of any sort to be transfered without an individual's knowledge and agreement.

The proposals would form the backbone of a single market in information and telecommunications services.

Different standards of protection are increasingly becoming barriers to trade between member states. Laws in this area exist in only seven member states – West Germany, the UK, Denmark, France, Ireland, Luxembourg, and the Netherlands – and in these the protection varies widely.

Mr Filippo Maria Pandolfi, the telecommunications Commissioner, said yesterday that the new rules would harmonise conditions in member states.

The proposals would give individuals an automatic right of access to information concerning them and to correct any mistakes. It would also grant special protection for sensitive information concerning race, sexual behavior or trade union membership.

The directive would cover private companies and be supplemented by a non-binding resolution extending the same protection to public sector files falling outside EC law.

A separate directive will cover protection for advanced digital networks, where the opportunities for hacking and piracy are different from old fashioned analogue systems.

Budapest takes over control of privatisation

By Nicholas Denton in Budapest

THE HUNGARIAN Government yesterday took direct control over the influential state privatisation agency in an attempt to contain a threat to its authority at the centre of economic policy-making.

Officials had felt that the State Property Agency (SPA) was thwarting the conservative Government's efforts to shape privatisation. The SPA, while nominally subordinate to parliament, had a broad latitude in its crucial role as initator and auditor of the planned sale of the bulk of state assets.

An economic adviser to the Prime Minister said: "The Government wants to get the SPA under it, so as not to let economic power out of its hands."

He accused the opposition Alliance of Free Democrats, which advocates speedier privatisation, of seeking to compensate for its failure to win the election and political power by capturing the SPA and economic power.

The Government had no trust in Mr Istvan Tompe, head of the SPA, and an appointee of the former, Communist regime, because "he is collaborating with the opposition."

The campaign against Mr Tompe has already caused damage. Governing party politicians marred Hungary's first privatisation, of the travel agency Ibusz, by criticising Mr Tompe's decision to float the shares on the Vienna market.

France settles next year's spending plans

By William Dawkins in Paris

THE FRENCH Government is to intensify its policy of budgetary toughness and is aiming to reduce its budget deficit next year by FFr10bn to FFr80bn (£8bn).

Mr Michel Rocard, the Prime Minister, yesterday finalised the spending side of the 1991 budget which envisages a 5.4 per cent rise in public spending to FFr1,285bn, slightly below the forecast 5.5 per cent nominal growth in gross national product. It will be presented to parliament in the autumn.

The lower deficit will come partly from extra tax revenue generated through real economic growth. Inflation next year is forecast at 2.5 per cent and real gross domestic product growth at 3 per cent. The Government has promised, however, that taxation will not rise as a proportion of GNP.

The budget aims to restrain defence spending and hold civil service jobs steady at around 2.5m. This is after the creation of 11,000 teaching jobs and 1,200 prison service posts.

Defence is to get a 3 per cent increase to FFr221bn, within which the equipment budget has been cut slightly in real terms after an intense battle between Mr Pierre Chevènement, the Defence Minister and Mr Pierre Bérégovoy, the Finance Minister. France is one of the few western countries not to cut overall defence spending next year.

Industry is another area to feel the squeeze. The Government has kept contributions to state-owned companies stable at FFr4.7bn – a small but controversial budget line. The main beneficiaries are expected to be Thomson, the defence and electronics group; Bull, the computer company; and Aerospatiale and Snecma in aerospace.

The big budget priorities, as last year, are education and research. A 9 per cent rise to FFr250bn is planned in education spending, 80 per cent of which will go on teachers' salaries. Education is the largest spending ministry. Civil research spending will go up 7.5 per cent to FFr48bn.

Another area to get a bigger rise than average is culture, where Mr Jack Lang, the minister, who has a reputation as a tough bargainer, needs to finance a new national library next year and will receive a 17 per cent boost. Foreign affairs gets a 9 per cent increase on the grounds that extra resources are need to boost the French presence in eastern Europe. The environment is due for a 15 per cent rise.

Timeshare cooling-off suggested

By Lucy Kellaway

THE European Commission is to crack down on timeshare sharks by proposing a seven day cooling-off period to allow consumers who have rashly signed timeshare contracts to change their minds.

Its announcement came as Mr Gordon Borrie, head of the UK's Office of Fair Trading had written to the Commission asking that it clean up the much-abused timeshare market.

However, the Commission's proposals do not meet the requests of Mr Borrie, who wanted a 15-day period. The Commission argues that a week gives consumers long enough to reconsider, and would put timeshare contracts on a par with arrangements for door-to-door salesmen.

Its timeshare proposals were part of a blacklist of contract clauses which give the balance of power to the supplier.

The commission's directive would make such clauses illegal in all member states. At present the protection for consumers over unfair contracts ranges from nothing in some member states to a high level of protection in others.

The other abuses to be outlawed include clauses that:

● allow suppliers to change the terms without giving consumers the chance to object;

● allow suppliers to escape responsibility if they do not fulfil their part of the contract;

● limit or eliminate the guarantee period of the goods;

● contain any uncertainty over price that could harm the consumer;

● remove responsibility from the supplier should the consumer die or suffer serious injury.

Mr Karel Van Miert, EC commissioner for consumer affairs said yesterday that consumer protection needed to be harmonised as a part of the single market so that everyone would know what to expect in other member states.

Europeans wonder at dim UK view across the Channel

The real anxiety in some capitals is not about domination by Germany, but that it might freeze the Community integration process so as to enjoy unqualified economic and political leadership, writes John Wyles from Rome

THE RIDLEY affair and its revelation that at least a section of British opinion fears German domination of the European Community appears to have strengthened the view in several continental capitals that Britain still does not fully understand the political purposes of the EC nor the real threat from the direction of a re-united Germany.

"Somehow the British always seem to look at Europe through the wrong end of the telescope," said a senior official in Brussels yesterday.

He and many of his colleagues were alarmed as much as amused that Mr Nicholas Ridely, the former UK Trade and Industry Minister, in his Spectator magazine interview should have expressed the thought that Britain needed to stand back to exercise a balance of power role against a German dominated Community.

The real anxiety in several European capitals is not so much that of German domination of a more politically integrated EC, but that Germany might freeze the integration process so as to enjoy an unqualified status of economic and political leadership of the EC as it is now.

"We are still unsure whether, now that reunification is a certainty, Germany will sustain its commitment to political and economic and monetary union," said an Italian Foreign Ministry official.

"After all, the Germans will be the most numerous, they will have the strongest economy, and are increasingly on superpower terms with the US and the Soviet Union. Will they really want to transfer significant sovereignty to the Community?"

It has been the desire not only to circumscribe German political sovereignty, but also to bring its economic power under a measure of multilateral control in stronger Community institutions, which has given the enormous impetus over the past six months to moves to deepen EC integration.

As far as its continental EC partners are concerned, the acid test of the new Germany will be the positions it takes in the intergovernmental conferences on political union and on economic and monetary union (EMU) which open in Rome in December.

There is no Community leader more rhetorically committed to political union that Mr Helmut Kohl, the West German Chancellor. But it is still by no means clear how far Bonn will go in supporting a broadening of majority voting in the Council of Ministers and in strengthening the Community's ability to develop common foreign and security policies.

EC central bankers have noted that West Germany's own rush towards economic and monetary union with its eastern half has forced it to abandon previous positions cautioning that EMU at a Community level required greater degrees of economic convergence and political union.

In scrutinising Germany's commitment to EMU, much of its partners' attention will be closely focused on what Bonn wants to make of the so-called phase two of the process towards EMU – the transition period after the signing of the treaty which should lead to fixed exchange rates and a European central bank with powers to set monetary policy.

The Delors Report on monetary union was vague about the characteristics and duration of phase two. In discussing EMU with his fellow central bankers, Mr Karl Otto Pöhl, the Bundesbank president, is said to have given the impression that he wants the minutest details settled of the final stage of monetary union without building a phase two bridge for achieving it.

If Germany decides that it wants to postpone EMU, it may find itself making common cause with the UK in defining a phase two which offers no certainty of, nor deadline for, achieving monetary union.

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WORLD TRADE NEWS

US HEADING FOR FRESH CONFRONTATION WITH BRUSSELS

Yeutter warns EC over farm trade reform

By Peter Montagnon, World Trade Editor

THE US is heading for further confrontation with the European Community on farm subsidies unless Brussels changes its negotiating approach, Mr Clayton Yeutter, US Agriculture Secretary, said yesterday.

The Uruguay Round of trade negotiations will fail if the EC continues to insist on using an aggregate measure to reduce supports for agriculture, he told a televised press conference. The so-called aggregate measure of support (AMS) is a calculation of the costs to the taxpayers' and consumers' pockets of both domestic farm support and export subsidies. The EC wants all farm supports taken into account in the negotiations, while the US (and Gatt) prefer to concentrate on cutting export subsidies.

Mr Yeutter said: "I hope our friends in the EC do not miscalculate or underestimate the US resolve in this respect.

"We cannot achieve farm trade reform unless we have significant measures in all the areas of support: domestic assistance, import barriers and export subsidies."

His warning indicates that the US remains uncertain that the compromise on farm reform reached at last weeks' Houston summit will produce the desired breakthrough when Uruguay Round negotiators meet again next week.

Mr Yeutter admitted that he was disappointed that the Houston declaration had not gone further, but he said there was a strong resistance from the European Community.

However, he insisted that "as a result of the Houston meeting it will be impossible for the EC any longer to resist the negotiation of definitive commitments" in all three areas.

"It would be tragic if we cannot agree a framework for the remainder of the negotiations at this stage," he added. There was very little time left, and decisions on the framework which needed to be taken now could not be put off until the autumn without placing serious strains on the negotiators.

There was an emerging consensus in favour of the farm reforms proposed by Mr Aart de Zeeuw, chief Gatt agriculture official, which call for a special emphasis on reducing export subsidies.

"We simply see no redeeming qualities in export subsidies," he said. Even if they were reduced by half the EC would still have a war chest of $5bn a year. Developing countries could not accept that.

He said he hoped the Geneva meeting would endorse the de Zeeuw proposals and set out a detailed timetable for further negotiation so that work could proceed throughout the holiday period.

"We have very few negotiating days left. We cannot afford to postpone serious negotiations any longer."

US farms face bankruptcy, Page 32

Clayton Yeutter: "It would be tragic if we cannot agree"

Rich nations fall out over patents

William Dullforce reports from Geneva on the Gatt talks on intellectual property rights

DISCORD among the big industrial powers has prevented trade negotiators from producing this week a draft agreement on stronger protection for intellectual property rights.

On several crucial issues concerning copyrights, patents and industrial designs the US has taken positions which most other industrial countries are not ready to accept.

In addition, the dispute over the European Community's demand that geographical appellations of origin be protected – a vital question for European wine producers – has not been resolved.

Intellectual property rights (IPR) form one of the contested "new areas" alongside trade in services that the big western trading nations placed on the agenda of Gatt's trade-liberalising Uruguay Round. They have been seeking tough Gatt rules to prevent patent piracy, counterfeiting and other forms of theft of money-spinning ideas.

IPR was thought to be mainly a north-south issue, in which the rich nations were trying to persuade poorer nations to accept the need for more efficient IPR protection worldwide.

Developing countries fear that stringent protection would hinder their development and they have resisted the inclusion in Gatt of a matter which they consider falls within the purview of the Geneva-based World Intellectual Property Organisation.

Now, however, differences among the rich nations have unexpectedly emerged as serious obstacles to an agreement.

The draft text prepared by Mr Lars Anell, chairman of the IPR negotiating group, for next week's meeting of the Round's Trade Negotiations Committee mirrors both these divides.

Mr Anell described his 78-page report as "essentially a compilation of options" but maintained that it could nevertheless form a basis for continuing negotiation.

Reflecting north-south differences the text outlines two basic approaches. One calls for a single agreement, encompassing all IPR issues, to be incorporated into Gatt.

Under the second approach two agreements would be negotiated. The first would cover only trade in counterfeit and pirated goods and fall under Gatt. The second would set out standards and principles for the use of IPR and would be implemented in the "relevant international organisation".

However, the options listed by Mr Anell also reflect serious divergences among the rich nations. A major stumbling block is US insistence that the Berne convention on copyright, which Washington signed only last year, concerns only economic rights, not the moral or personal rights of an author to determine how his work is handled.

At stake here are such matters as the splitting of a film into advertising slots and the colouring of old black-and-white films. Under US law a licensee can do more or less what he likes with films or other intellectual works.

Under copyright again, the US wants to include in an IPR agreement its own unique legal concept that "author" refers to legal entities, such as companies, as well as to people. The EC maintains that copyright originates with natural persons but that a person can waive his right in favour of a company, as many employees do in their work contracts.

Differences persist over the rights of performers and broadcasting organisations. The US, whose performers rely on trade union agreements, opposes statutory protection for performers.

On patents a fundamental divergence has appeared between the US and the Philippines, which are the only countries to protect on a first-to-invent basis, and other countries who protect the first person to file for a patent.

The Americans say they cannot change their law, although Canada has recently amended its legislation. Other countries argue that the first-to-invent principle in practice favours domestic patent applicants over foreigners.

The US wants to introduce its own patent-orientated concept for industrial designs. This would, for instance, provide design protection for subcontractors supplying "crash parts" such as fenders to car manufacturers.

Other countries consider that the US is here turning a technical issue into a political one. They argue that the US concept would make it more difficult for other companies to compete and could hit car manufacturers' costs.

The widest gap probably exists over geographical indications, including appellations of origin for wines. The EC's demand for protection is most strongly opposed by the US but also by other former immigrant countries such as Canada, Australia and New Zealand.

According to EC officials, the US is unfairly protecting big Californian winegrowers which sell large quantities of low quality wine under the Chablis label to Canada and Japan.

Brussels objects to US consumers being supplied with a product known as champagne originating in California instead of in France. Under Community law Italian producers of sparkling wine are not allowed to call their product champagne.

Japanese watchmakers target E Europe

JAPANESE manufacturers of cheap watches are planning a big sales drive in eastern Europe, Reuter reports from Tokyo.

Citizen plans to export 100,000 watches to retailers in East Germany, Poland and Czechoslovakia in 1990/91. Its Citizen Watch Europe unit in West Germany sold 20,000 watches in Eastern Europe between December and March.

Citizen will expand its sales network to other eastern European nations in the future but has made no definite plans, the company said.

Casio expects to sell 205,000 watches in Yugoslavia, Czechoslovakia and Hungary in 1990/91, compared with the 142,000 it sold there in 1989/90.

Casio currently markets its watches in eastern Europe through several Japanese trading firms and does not intend to set up its own subsidiaries.

Seiko Deutschland, Seiko's West German subsidiary, distributed 100,000 watches in East Germany, Poland, and Hungary in 1989/90. It plans to increase the amount in 1990/91 by an unspecified margin.

Japanese manufacturers export mostly cheap watches to eastern Europe and expect demand to continue growing, but they are sceptical about selling high-quality watches there.

"When selling watches in the eastern European market, the crucial factor for the time being is the price, not the quality," a Seiko spokesman said.

£23m Hong Kong contract awarded

SUNG FOO KEE has won HK$316m (£23m) contract to build roads, bridges and sewage facilities in the New Territories, AP-DJ reports from Hong Kong.

The project is the latest in a series of valuable government contracts received by Sung Foo Kee, the construction group which went public last year.

New Zealand Dairy Board to buy Soviet vodka

By Dai Hayward in Wellington

THE NEW ZEALAND Dairy Board, which trades about NZ$3bn (£1bn) a year in milk products, is to import and market a top-selling brand of Russian vodka. The Board is seeking to boost Soviet trade so that the USSR will have more funds to buy its dairy products.

The Soviet Union is in the top five of New Zealand's trading partners. Most of the trade, both imports and exports, is handled by the Board's subsidiary, Sovenz, which was set up to develop trade between the two countries.

Sovenz imports Soviet tractors, Lada cars, and fertiliser – and now Stolichnaya vodka. In two years sales of Lada cars in New Zealand increased from 600 to 2,500 a year, making it the largest market for the Soviet cars outside the Eastern bloc. Last year Sovenz also imported 70,000 tonnes of potash fertiliser.

Sovenz is responsible for the sale of all New Zealand dairy products to the Soviet Union. In 1988-89 it sold 60,000 tonnes of butter to the USSR making it New Zealand's second biggest butter market after the UK. It also exports large quantities of wholemilk powder.

Sovenz also sells New Zealand manufactured goods and agricultural products to the USSR. In the 1988-89 it exported 20,000 tonnes of mutton to the Soviet Union.

In a joint venture it is harvesting peat moss on Sakhalin island in the Soviet Far East. Proceeds from the sale of this will be used to buy New Zealand dairy products. The joint venture company plans to eventually develop timber, fish and mineral operations.

Largely as a result of Sovenz efforts the Soviet Union now buys more than 5 per cent of all New Zealand dairy exports while the Dairy Board has also sold 1 per cent of New Zealand's non-dairy exports to the Soviet Union.

Australia urged to seek investment from Japan

By Kevin Brown in Sydney

AUSTRALIA should relax rules on foreign direct investment and liberalise its economy to attract more inward investment from Japan, an independent study by a leading business group urged yesterday.

A report by the Committee for Economic Development of Australia said Japan's share of inward investment was not excessive, but conceded that Australians needed to be reassured that Japanese motives were no different from those of British or US investors.

"Japan's share of total foreign direct investment in this country still only represents 9.7 per cent – not excessive for a country which takes a quarter of our exports and provides a fifth of our imports," the report said.

Its conclusions will be controversial in some quarters in Australia, especially in Queensland, where there is opposition to Japanese real estate purchases.

The report, which follows a joint study carried out with a Japanese business committee, said most Japanese investment was aimed at development, which provided employment, rather than acquisition of existing property.

However, many Japanese companies believed that foreign investment regulations were too restrictive, and that controls on ownership of residential property inhibited potential for tourism.

The report also said that procedures for applying for business visas for temporary residence in Australia were "unnecessarily difficult and tedious," and constituted a significant invisible barrier between Japan and Australia.

It called for a relaxation of investment regulations, reform of labour markets, market liberalisation, tax reform and a review of Australia's high interest rate policy.

The report also concluded that Australian direct investment in Japan, which makes up around 0.5 per cent of global investment, was too low.

Australian investment was heavily biased towards English-speaking countries, while Japan was regarded as culturally alien, and too few Australian executives had the skills to deal easily with other cultures.

Baker acts to foil Khmer Rouge victory

US U-turn marks end of policy of blackballing Vietnam, reports Lionel Barber

THE US decision to open a dialogue with Vietnam marks the end of a 15-year stand-off. But the dramatic switch in policy stems largely from a rising tide of domestic criticism of Washington's policy towards Cambodia.

Ever since Mr James Baker became US Secretary of State 18 months ago, he has taken a beating as critics in Congress, the press, television and the legion pressure groups in Washington have denounced covert US military aid to guerrillas fighting the Vietnamese-installed government in Phnom Penh.

In their view US policy was tantamount to helping the murderous Khmer Rouge reclaim power in Cambodia.

But it was only yesterday that Mr Baker finally yielded, announcing in Paris that the US would open a dialogue with Vietnam as part of international efforts to end the civil war in Cambodia.

This is a significant policy shift. Successive US administrations have pursued the diplomatic and economic isolation of Vietnam as a fixed foreign policy goal since the traumatic defeat in Vietnam more than 15 years ago.

In practice Mr Baker had little choice but to abandon military aid to the Cambodia resistance, made up of the well-armed Khmer Rouge and two much smaller, non-Communist groups led by former Prime Minister Son Sann and the militarily insignificant National Sihanoukist Army of Prince Norodom Sihanouk.

In recent weeks the CIA has warned both Congress and the executive branch that the Khmer Rouge was making important gains on the battlefield, to the point where a military victory could no longer be ruled out.

These intelligence reports alarmed Congressional leaders. Many were already suspicious of whether US covert and overt military aid of more than $15m (£8.5m) a year to the non-communist resistance could be kept separate from the Khmer Rouge, which ruled Cambodia between 1975-78 and exterminated 1m people.

By this week Democratic and Republican chairmen of three key Senate committees – intelligence, appropriations, and government operations – were all aligned against further US aid. Capping the opposition, Senator George Mitchell, Democratic majority leader, said on June 11: "The administration's Cambodia policy is incredible. It is insupportable. It must be stopped."

Mr Baker, who reads the temperature of Congress almost daily, must have realised the game was up. The question is why he and President Bush failed to switch Cambodia policy a year ago – notably when the Vietnamese were completing the withdrawal of troops which were used to install the present government of Prime Minister Hun Sen in 1979.

Since 1975 US policy has been driven largely by a desire to punish Vietnam and placate China, the chief backer of the Khmer Rouge.

Both the Carter and Reagan administrations saw Vietnam as a Soviet client with expansionist ambitions in south-east Asia, which is why Mr Reagan put pressure on Prince Sihanouk and Son Sann in 1982 to join an ill-fated coalition government-in-exile with the Khmer Rouge. As for President Bush, his pro-China credentials are beyond doubt.

Last year, therefore, the US supported a "quadripartite solution" under which the Hun Sen Government would be dismantled and all the four parties, including the Khmer Rouge, would share power. "We have to accept the Khmer Rouge as a fact of life," Mr Baker said at the time.

The Secretary of State took a lot of heat for those remarks, and he was soon forced to backtrack. The US would never countenance the return of the Khmer Rouge to power, he declared.

This signalled another US policy shift towards supporting an Australian government plan under which the United Nations – rather than the four parties – would administer Cambodia until free and fair elections.

US officials concede that the policy still took a lot of selling, as the US appeared to be indirectly supporting the Khmer Rouge. Hence the decision to open dialogue with Vietnam.

The US decision has been on the cards since President Bush's inaugural speech, when he attempted to exorcise the legacy of the Vietnam war. "The lesson of Vietnam is that no great nation can long afford to be sundered by a memory," he said.

The question of opening contact largely came down to timing. Memories of the Vietnam war remain strong in the US, fuelled not only by popular culture but by a powerful veteran's lobby. In recent years, however, calls by prominent veterans to re-establish diplomatic relations have become louder and interest has grown in the economic potential of Vietnam.

In addition, the reformist Soviet leadership under President Gorbachev has helped change US opinion. Moscow has matched words with deeds, cutting substantially financial aid to Hanoi (as have eastern bloc countries).

It was telling that Mr Baker chose to make his announcement directly after two hours of talks with his Soviet counterpart, Mr Eduard Shevardnadze.

At the same time, the Bush Administration is taking a closer interest in Asia. The Middle East – which absorbed enormous attention last year – is on hold and Central America has calmed down, even if economic difficulties remain. This month Mr Baker is due to attend a meeting of the six-nations Asean group of south-east Asia.

Mr Baker stressed yesterday that the new dialogue with Hanoi would focus on Cambodia and would not amount to a normalisation of relations between the two countries.

This may be true today, but the first step has been taken to a more co-operative relationship which could benefit the whole region.

Secretary of State James Baker (right) confers with his Soviet counterpart Eduard Shevardnadze

Palestinians plan bank for occupied territories

By Hugh Carnegy in Jerusalem

A GROUP of businessmen from the West Bank plans to set up a Palestinian bank in the occupied territories.

Mr Kemal Hassouneh, an industrialist in Hebron, said he and four other businessmen had written early this month to the army-run Civil Administration in the West Bank seeking to open discussions on conditions for setting up a bank, the first of its kind.

An application a few years ago lapsed and at present the only banking presence in the West Bank and Gaza is provided by five branches of the Jordan-based Cairo-Amman Bank and a few remaining branches of Israeli banks. Most of these closed following the outbreak of the Palestinian uprising, or intifada, in late 1987.

Palestinians say the Cairo-Amman Bank is limited in the facilities it can offer.

There is a strong political objection to dealing with Israeli banks, which Palestinians say impose tough conditions on facilities such as letters of credit and bank guarantees.

As local businessmen seek greater Palestinian economic self-sufficiency, a constant complaint is a lack of capital.

Mr Hassouneh, whose Al-Shark Electrode Company turns over about $3m a year, says he envisages founding a bank offering regular commercial facilities in shekels and dinars with initial capital of $7.5m and with three branches in the West Bank.

He added that some contacts had been made with European banks with a view to securing guarantees and technical assistance.

However, a senior official of the Bank of Israel, which would have to give its approval, expressed strong scepticism about the feasibility of the project, about which the Bank had not so far been notified.

The military is also likely to be reluctant, seeing such a bank as a potential conduit for the transfer of funds by the outlawed Palestine Liberation Organisation.

● Mr Rafael Eitan, Israel's Agriculture Minister, has proposed cutting off agricultural supplies to Palestinian farmers – many of whom rely on Israeli inputs – as a punishment against the Palestinian uprising.

He also plans to stem "smuggling" of cheap Palestinian produce into Israeli markets, from which they are usually barred, despite freedom to sell in the West Bank and Gaza for Israeli producers.

Greenspan sees 'sluggish' growth in second half

By Anthony Harris in Washington

MR ALAN Greenspan, US Federal Reserve chairman, told Congress yesterday that the Fed expected continued, but "somewhat sluggish", growth in the second half of this year, and enlarged on his admission last week that bankers' caution may now be imposing an unintended economic squeeze.

Testifying before the Senate Banking Committee, he said that, while the current tightening of credit standards would leave the financial system on a sounder footing in the long run, "nevertheless, in the here and now, the tightening is beginning to have very real, unwelcome effects." He observed that "even investment-grade corporations appear to be facing slightly higher costs in accessing bank credit facilities."

Hinting at the possibility of a further easing of policy, he said that an adjustment in bank reserves might be needed to maintain stable overall financial conditions.

Mr Greenspan denied that the contraction could be described as a "credit crunch", which would imply a major credit contraction rather than slower growth. "But I can well appreciate that my view on this topic may be perceived as a semantic nicety by a borrower who today is suddenly unable to get a loan on the terms formerly available."

Greenspan: Unwelcome effects

It was difficult for the central bank to draw a dividing line between lending standards that are healthy, and those that might be so restrictive as to be inconsistent with the borrower's status. The best the Fed could judge was that "the change in credit conditions currently is exerting a slight additional degree of restraint on the economy." The process of credit restraint might not have reached completion.

"When you go from excess credit creation to normal, it can feel like tightening," he said.

Despite this, the Fed regarded the possibility of a recession in the near term as small, thanks largely to the successful efforts by industry to keep inventories under control.

The Federal Open Market Committee and Federal Reserve Bank presidents had revised their "central tendency" projection for real gross national product growth this year to 1.5 to 2 per cent, on a fourth quarter over fourth quarter basis, with real growth of 1.75 to 2.5 per cent in 1991. In the chairman's previous testimony in February, the projection was for real growth in this range in 1990.

The central tendency projection for unemployment is now for an unchanged 5.5 to 5.75 per cent in the fourth quarter of this year, and 5.5 to 5.6 per cent in the fourth quarter of 1991. Mr Greenspan commented, however, that current data showing a slowdown in job seekers "bears watching."

Inflation is now expected to be a little higher than was projected in February. The consumer price index is expected to rise by 4.5 to 5 per cent this year, compared with the earlier projection of 4 to 4.5 per cent, and by 3.75 to 4.5 per cent in 1991. While core inflation was now thought to be moderating in the goods market, there is still no sign of a slowdown in service price.

Mr Greenspan observed, however, that the rate of increase in wages "appears to have levelled out from its earlier upward trend."

(In the official document accompanying the chairman's evidence, the Fed noted that the administration's projection for nominal GNP growth was somewhat above its own, but added that the differences were small in view of the inevitable uncertainty of economic forecasting.)

Mr Greenspan went on to discuss the Fed's revised monetary targets. He said that the Fed believes its provisional lowering of the M2 target range of 1991 "need not be a barrier to sustained growth." In February, the Fed announced a monetary target growth range for M3 of 2.5 to 6.5 per cent, now revised to 1 to 5 per cent. The chairman said that this reduction "does not signal a tighter policy stance," but "a recognition of thrift bale-out side effects."

Even so, he added that, while the thrift bale-out would lower the rate of growth of broad money, as some depositors would switch into non-money assets, it "should have little effect on real economic activity or interest rates."

A Liberian rebel fighter, wearing a wig, reloads his automatic rifle in fighting on the outskirts of the capital Monravia earlier this week. He was killed shortly afterwards. Many of the rebel soldiers dress gaudily in outlandish clothes and make-up.

Latest reports from Monrovia say that increased fighting has led to frightened residents streaming out of the city on the last open road in search of food and safety, AP reports from Monrovia. The fighting has cut off food supply routes and disrupted public utilities, and witnesses said that food shortages had worsened.

Gunfire was heard in Monrovia, but there were no details on the battles. Heavy fighting was reported on Sunday just east of this city of about 400,000.

A government official, who said he had been held captive by the rebels for two weeks, said they were murdering members of President Samuel K Doe's Krahn tribe as well as the allied Mandingos.

"It was sheer anarchy," the official said of what he had seen during his captivity. "Every house is opened and looted of the cars and food in it. When they see your house, they chase you out with your family. If you resist, they kill you."

The official spoke on condition of anonymity. It was not clear how he gained his freedom. He said he understood that the rebel leader, former aide Mr Charles Taylor to Mr Doe, was trying to prevent such abuses. Human rights groups have accused both sides of killing hundreds of civilians in the war, which has been fought along largely tribal lines.

The government official said the rebels were demanding food and lodging from civilians. He said they were executing those who refused. Witnesses have made similar charges about Mr Doe's forces.

The rebel National Patriotic Front of Liberia began its insurgency in December, accusing Mr Doe of corruption and rights violations. The rebels have captured most of the country.

Number of E Germans out of work rises 60%

EAST GERMAN unemployment, virtually unknown under Communist rule, soared by 60 per cent in the first two weeks of July to reach 224,000, Labour Minister Ms Regine Hildebrandt said on Wednesday, Reuter reports from Berlin.

She told the ADN news agency that between 30,000 and 40,000 people were joining the dole queue weekly.

A further 500,000 had applied for short-time working – a government-sponsored halfway stage between employment and joblessness – since East and West Germany merged their economies on free market lines on July 1, she said.

Unemployment has rocketed since the fall of the country's Stalinist leaders last year because industry cannot compete with western companies entering the market after decades of exclusion.

East Germany's unemployment rate is now 2.5 per cent compared with 1.6 per cent at the end of June when the number of unemployed people was 142,000.

Politicians and banking experts expect it to reach up to 3m, a third of the workforce, in the next two years.

● A West German Defence Ministry team inspected an army base near East Berlin yesterday to investigate a media report of Soviet chemical weapons secretly stockpiled in East Germany.

Rocard embarks on Japanese crusade

By Ian Rodger in Tokyo and William Dawkins in Paris

MR Michel Rocard, the French Prime Minister, begins a three-day visit to Japan today in a belated effort to lift the often prickly political and economic relations between the two countries to a more constructive level.

The Rocard mission, the first visit by a French prime minister for 14 years, will aim to show that the French Government has dropped its hostility to Japan and is eager to welcome its industrial investment. France wants to boost the $2.9bn (£1.6bn) of cumulative Japanese direct investment received by the end of last year, estimated to be 1 per cent of all Japanese investment abroad.

Mr Rocard will also urge Japan to make it easier for French companies to set up business there.

"We want to clear up a few misunderstandings. It will be necessary to speak frankly and clearly," an official said. Mr Rocard will be accompanied by his Industry and Research Ministers.

Japanese officials are now more relaxed about links with France and are equally keen to overcome old political prejudices.

A Japanese foreign ministry official said this week: "There is some room for improvement. Maybe there have been some misunderstandings... there may be some psychological obstacles on the French side."

He added that France was "very important. It plays a critical political role in the EC.

"Now that Japan is more interested in developing the new international order, the two countries can talk not only about bilateral issues but about problems in Asia, such as Cambodia, and global issues, such as North-South dialogue and the environment."

Japan is likely to raise the controversial issue of transitional protection for the European car industry after 1992. France has been to the fore in demanding a long transitional period. Japan believes that any arrangements should be in accord with Gatt principles, and officials doubt the plan submitted recently by the EC meets that criterion.

The tone of Franco-Japanese political relations was set by former French President Charles de Gaulle in the 1960s when he referred to the obscure Japanese prime minister of the day as just another transistor salesman.

The tenor of economic relations was also set by a single incident, the decision of President François Mitterrand's first government eight years ago to force all Japanese video recorder imports to be routed through an understaffed customs office at Poitiers.

A residue of the attitudes represented by these seminal incidents appear to persist. This is despite the growth of liberal economic thinking in the French Government and Japan's elevation to economic superpower status.

Mandela hopes to see de Klerk

Talks between the African National Congress (ANC) and the South African Government are expected to resume shortly, Mr Nelson Mandela, ANC deputy president said yesterday, Patti Waldmeir reports from Johannesburg.

Mr Mandela, who celebrated his 72nd birthday yesterday, said he hoped to meet Mr F W de Klerk, the South African President in the next few days with the aim of arranging an early meeting between a full ANC delegation and the Government.

Kashmir talks start

India and Pakistan yesterday ended their first day of talks intended to cool tensions caused by a Moslem revolt in the Indian sector of the disputed Kashmir state, Reuter reports from Islamabad.

Neither side commented on the meeting, triggered by fears that the two countries might fight their third war over the Himalayan region. An outbreak of secessionist fighting there has killed more than 900 people this year.

Sabah poll result

Mr Joseph Pairin Kitingan was yesterday returned power in Sabah, a Malaysian state on the Borneo island, Lim Siong Hoon reports from Kuala Lumpur. Mr Kitingan's Parti Bersatu Sabah (PBS) beat off the challenge from six opposition parties two of which had ruled the state for nearly two decades.

Afghan peace move

Mr Eduard Shevardnadze, the Soviet Foreign Minister said yesterday Afghanistan had made "interesting" proposals to break the stalemate in its 12-year civil war, including holding United Nations-supervised elections, Reuter reports from Paris.

The New York Times said in a weekend report that Moscow was proposing that President Najibullah abandon control of the armed forces and retain only symbolic power in the run-up to internationally-supervised elections.

Consumer price rise dents long bond

By Anthony Harris

US CONSUMER prices rose by 0.5 per cent in June, the Labour Department said yesterday.

This was more than double the increase expected in the financial markets. The long bond fell half a point on inflation worries.

The volatile food and energy components led the rise but there was also a strong 0.9 per cent rise in the Department's shelter index, which among other things reflects rising occupancy taxes as states struggle with budget deficits. This trend is expected to continue.

As a result, the index rose by 0.4 per cent, even with food and energy components omitted. The rest of the index, however, was subdued, apart from another sharp rise in tobacco prices, which continues a two-year trend. The index omitting food, energy and shelter rose only 0.1 per cent.

Consumer price inflation has now run at a 5.9 per cent annual rate in the first half of 1990, sharply above the 4.5 per cent rates last year, and also above the Federal Reserve and US administration forecasts.

Also, the Commerce Department announced that housing starts dropped a further 2.3 per cent in June. This was the sixth successive monthly fall, the first such run of declining figures since the 1981 recession. The markets had been expecting some recovery from the May level.

However, the fall was concentrated in the small multi-unit category, which is highly variable from month to month, and time applications for permits to start new construction in this group, which had been very weak, rose by a quarter.

This led to a 3.9 per cent rise in building permits, regarded as a more reliable indicator of future activity, reversing the May fall. This series suggests that the deep housing recession may have reached its floor level.

June starts were 16.8 per cent below the June 1989 level, and permits were 16.3 per cent down on the year.

Australian investors' nerves steady

By Kevin Brown in Sydney

CALM appeared to be returning to the Australian financial system yesterday as investors heeded federal and state officials' reassurances over the stability of banks and savings institutions following a series of collapses and other problems.

The Bank of Melbourne, a former building society which suffered a run on funds at the start of the week, said heavy withdrawals had stopped and deposits appeared to be returning to the bank.

Notices setting out a statement of support from the Reserve Bank of Australia were placed prominently in all Bank of Melbourne branches before the start of business yesterday.

Armstrong Jones and Growth Equities Mutual, the two largest property trust groups, also reported a marked fall in queries from investors worried about possible suspension of unit redemption rights.

Aust-Wide, the fourth largest property trust, suspended redemptions earlier this week after the National Companies and Securities Commission issued guidelines to help trusts cope with short-term liquidity problems.

Mr Paul Keating, the federal Treasurer (finance minister), urged investors not to panic and said non-bank financial institutions were generally well supervised by the states in Australia.

He said the erosion of investor confidence appeared to be confined to the state of Victoria, where most of the troubled institutions are based.

Uncertainty was sparked by the crash last month of the Pyramid, Geelong and Countrywide building societies, subsidiaries of the privately owned Farrow Corporation.

Buoyant oil revenues cast doubt on Lagos debt claims

By William Keeling in Lagos

NIGERIAN oil revenue in the first five months of the year amounted to $3.4bn (£1.9bn), 67 per cent above budgetary expectation, raising doubts about government claims that it cannot service the country's international debt.

Nigeria has paid just $600m this year in servicing its $32bn debt and is in dispute with all its big creditors.

According to a World Bank official, payment arrears to the Paris Club of creditors, which accounts for 44 per cent of total debt, exceeds $1bn. There have been few repayments since the last agreement expired in April and no new negotiations are scheduled until September.

Nigeria is also in dispute with the London Club of creditors, who are owed $5.5bn. In April Lagos announced it would break the 1988 agreement to reschedule the debt over a 14-year period and suggested new terms for repayment over 30 years, with a 10-year grace period and 3 per cent interest.

The terms were rejected by the London Club.

Lucrative anti-depressant subject of law suit

By Karen Zagor in New York

ELI Lilly, maker of Prozac, the biggest selling anti-depressant drug in the US, faces a $150m law suit alleging that the drug made a patient suicidal.

Worries about the implications of the law suit pushed shares in Eli Lilly down by $2⅞ to $86¼ at midday yesterday in active trading on the New York Stock Exchange.

Sales of the drug, which has been on the market in the US since December 1987, have soared from $125m in 1988 to an estimated $700m this financial year. Lilly said its strong second-quarter pharmaceutical sales were led by Prozac.

It has been hailed as a wonder drug for depression, largely because of its apparent lack of the side-effects normally associated with other anti-depressants. Also, Prozac is popular because physicians believe it works on a wide spectrum of disorders. It is considered less toxic than its peers, takes effect with relatively rapidity and is fairly easy to use.

This is the first lawsuit against Prozac but the allegations that the drug might inspire suicidal tendencies are not new. This year, a research team headed by Dr Martin Teicher of Harvard Medical School in the US reported that six previously non-suicidal patients had developed "intense, violent suicidal preoccupations after two to seven weeks of fluoxetine (Prozac). In our own experience, this side-effect occurred in 3.5 per cent of patients receiving fluoxetine," the team said.

South Korea seeks to reshape tax régime next year

By John Ridding in Seoul

SOUTH KOREA is planning to overhaul its tax system in an attempt to create a more equitable tax burden and rationalise corporate levies.

Under the plan, scheduled for implementation in January, tax privileges for many foreign companies in South Korea would also be sharply reduced.

The number of foreign investment categories eligible for tax favours will be restricted to those concerning the transfer of high technology. Even here, the level of corporate tax exemption will be cut from 100 per cent to 50 per cent.

Tax breaks now given to enterprises contributing to Korea's balance of payments, those with investments by Koreans living abroad, businesses operating in free trade areas and those engaging in large-scale capital investment projects will be ended.

The Ministry of Finance proposal covers levies raised on almost all Korean and foreign investors, from income tax to inheritance and corporation taxes.

The draft also eases the tax burden on workers by raising the deduction for earned income and the special income tax exemption level. The exemption level has yet to be decided, but is expected to be raised from won 4.13m (£3,232) to about won 5m a year.

Workers with an an average monthly wage of less than won 1m would have an income tax exemption if they lived in rented accommodation.

The reform bill will be introduced in the National Assembly in September. It is the second tax reform proposed by the government of President Roh.

Foreign investors were not surprised by the proposed increases. "The Government has been reducing tax benefits for the last 18 months to two years," said Mr Robert Gregory, president of the American Chamber of Commerce in Seoul. He did not believe the changes represented a significant barrier to further investment.

Havana embassy incursions raise pressure on Castro

By Robert Graham

THE SPATE of Cubans seeking asylum in foreign embassies in Havana during the past eight days has thrown a spotlight on the efforts of President Fidel Castro to survive in an increasingly hostile international environment.

Yesterday, four persons were still in the Italian ambassador's residence, three at the Spanish embassy and five more in the house of a Czechoslovakian diplomat. The Cuban authorities have accused unnamed foreign interests of encouraging the asylum seekers and are adamant in refusing permission for any to leave the country.

This tough attitude has provoked a bitter row with the Spanish Government, which is insisting on the right of those in its embassy to leave Cuba.

Although the numbers are small, the incidents have forced Dr Castro onto the defensive and may complicate sensitive negotiations among the leaders of the ruling Cuban Communist Party over how the country's political system should be made more representative.

Faced by the collapse of regimes in eastern Europe and uncertain future relations with the Soviet Union, Cuba's principal ally, the president has become more isolated as an apostle of Marxist-Leninism.

However, the 63-year-old revolutionary's dogged insistence on Cuba's path to socialism has tended to mask a growing debate within the party over its future shape and direction.

Since May, senior officials have argued strongly behind closed doors that, unless Cuba makes significant changes in its authoritarian single-party political structure, the regime could be overtaken by events.

These officials are still loyal to Dr Castro but have been using the opportunity of preparations for a special party congress next year to try to convince him of the need for change.

The 72-member organising committee, formed in May, has managed to convince him to accept a broader debate than he had anticipated. The party's Political Bureau approved last month far-reaching guidelines for discussion.

This not only sought to bridge the previous gap between the Catholic Church and the party, but also said: "We have to consider the real world in which we live, where an intense and complex confrontation of ideas is developing, from which we cannot be excluded".

The guidelines stressed: "discussions being held – sometimes outside the institutions of Cuban society, including the party itself – must be taken into the middle; in this way their influence can become more efficient and real".

More prominence is being given to such younger figures as Mr Carlos Aldana, secretary of the party's Central Committee after a March shake-up of the party apparatus.

President Castro's brother Raul, the Defence Minister, is also reported to be encouraging quicker reform – contrary to his previous reputation as a communist hardliner.

The reformers are concerned that the asylum issue, combined with rising pressure on Cuba from the US, will encourage the president to resist change.

This could then produce the kind of split which has been avoided until now for fear of providing an excuse for Cuban exiles in Florida and the US administration to intefere more directly.

The US insisted at the recent Group of Seven summit in Houston that the Soviet Union cut its aid to Cuba as a condition for increased US assistance to the Soviet economy. Such aid is claimed by the US to be worth $5bn a year but isindependently calculated at $2bn to $3bn.

Canadian $ reaches 10-year high

By Bernard Simon in Toronto

FINANCIAL markets have shrugged off Canada's recent political upheavals, pushing the Canadian dollar to its highest level in a decade.

The dollar climbed as high as 86.86 US cents yesterday morning, almost a cent above its level when the Meech Lake accord talks collapsed four weeks ago amid concerns about Canada's political and economic stability.

The surge is due largely to the fall in US interest rates, which has widened the spread between short-term Canadian and US rates to a record 5.8 percentage points. While Canadian rates have slipped slightly in the past three weeks, the fall is being braked by Ottawa as an anti-inflation measure.

Also, Canada's foreign trade performance has been surprisingly strong, with a jump in exports contributing to a seasonally adjusted trade surplus of C$958m (£460m) in May, more than double the previous month's figure.

Mr Barry Davenport, senior vice-president in Bank of Montreal's treasury group, predicted yesterday that the dollar may rise still further over the next few weeks. "The constitutional debate has been wrung out of the money markets. I'm having fewer and fewer anxious enquiries," he said.

A weakening economy is expected to lead to a more significant drop in both interest rates and the dollar this year. The number of bankruptcies was 30 per cent higher in the first half of this year than in January-June 1989, and the housing market is in a slump in most parts of the country.

Economists expect the consumer price index for June (due tomorrow) to reflect a further easing in inflationary pressures. The index advanced by 4.5 per in the 12 months to May.

Argentine state bank closes branches

By Gary Mead in Buenos Aires

MORE than half the branches of one of Argentina's largest state-owned banks, the Banco Hipotecario Nacional (BHN), were abruptly closed this week, following a government decision eventually to close all 53 branches before re-structuring.

The BHN, essentially a mortgage bank for small investors, was set up a century ago to facilitate cheap housing loans to the poor. However, in recent years it has been used by politicians as a way to buy votes and other support. Its repayment terms have become wildly out of step with financial realities.

According to official figures from last April, 59 per cent of its creditors were substantially behind with their payments.

The government announced in February that the BHN would be closed and its employees either made redundant or put in other administrative posts. Bank union members immediately occupied the central branch of the BHN in Buenos Aires, and the government retreated from the conflict.

However, the government now appears more determined to carry out the closure. It has announced that 60 per cent of the 3,200 BHN employees must go, either through early retirement or to other posts in government bureaucracy. Trade unions affected by the measure have verbally repudiated the decision, but as yet have refrained from strike action.

The reform of the BHN, as well as that of other state-run banks, is a priority for the World Bank, which is giving financial support for reform of Argentina's financial sector. The future role of the BHN is to be substantially reduced, to one of providing banking support for housing construction – backed by the World Bank – in the country's interior.

● Argentina's exports for the first half of 1990 reached $5.87bn – a 10-year high. Government figures indicate that imports fell to $1.51bn, continuing a three-year decline.

The figures suggest that the 65 per cent growth in Argentina's trade surplus for the January-June period will lead to a full-year trade surplus of more than $6bn.

Also, the relatively low level of imports is a clear sign of the country's current recession.

Average industrial output in the first half of this year dropped by 12.7 per cent against the equivalent period of 1989. An official forecast has "industrial perspectives for the next months less optimistic than for previous months." However, independent analysts point out that there are signs in the last two months of increased economic activity, and that the recession may have bottomed out.

Young trails in Georgian primary

By Peter Riddell, US Editor, in Washington

MR ANDREW Young – veteran US civil rights leader, former mayor of Atlanta and ex-ambassador to the UN – faces an uphill battle to become the first black governor of Georgia.

In the first round of the Democratic Party primary on Tuesday, he won less than 30 per cent of the vote, against 41 per cent for Mr Zell Miller, the lieutenant-governor, with three other runners trailing.

There will be a run-off on August 7, but support from the other white candidates may shift to Mr Miller.

Mr Young, who attracted much white support in his eight years a mayor of Atlanta, ran as a pro-business centrist and the campaign was not fought on racial lines. However, Mr Young attracted much of his support from the black community and suffered from its low turn-out.

The Republican Party is mounting its strongest challenge for the governorship of Georgia in more than a century. Mr Johnny Isakson, party leader in the state Assembly, easily won the Republican primary.

Black people are running for state-wide offices in elections in several southern states in November.

Japanese advance in US auto market

But new car sales overall are down 5%, writes Kevin Done

US SALES of new cars fell by 5 per cent in the first half of the year to 4.8m, while US car production dropped by 16.8 per cent to 3.2m as manufacturers were forced to cut output to reduce stocks.

The fall in sales, following a 6.8 per cent decline in new car sales in the whole of 1989, has intensified the competitive pressures in the US auto market. These have severely depressed the profits of the three big US car makers, General Motors, Ford and Chrysler.

Despite lower demand, leading Japanese car makers have continued to make big gains in the US supported by growing output from their rapidly expanding US assembly plants.

While overall new car sales fell by 5 per cent in the first six months of the year, sales of Japanese-badged cars jumped by 9.3 per cent to 1.32m. This boosted the Japanese share of the US market to 27.3 per cent from 23.8 per cent in the first half of last year.

The total share of Japanese-derived cars in the US now exceeds 30 per cent, however, as GM, Ford and Chrysler also market under their own brand-names cars supplied from Japan or the so-called Japanese transplants, the Japanese assembly plants in the US.

While General Motors, the world's biggest car maker, succeeded in the first half of the year in halting the long erosion of its domestic market share, both Ford and in particular Chrysler lost ground to the Japanese car makers led by Honda and Toyota.

The Japanese transplants in the US, including joint ventures with US car makers such as NUMMI (Toyota/GM) and Diamond Star (Mitsubishi/Chrysler) accounted for 21 per cent of total US car output in the first six months compared with 14.8 per cent a year ago.

While total US car output declined by 16.8 per cent to 3.19m, production by the Japanese transplants jumped by 17.8 per cent to 669,000.

Both Honda and Toyota are threatening to oust Chrysler from third place in the US car market. Chrysler suffered a 19.7 per cent fall in new car sales in the first half of the year to 436,000, which depressed its car market share to only 9 per cent.

Honda increased its US car sales by 14.3 per cent to 434,000 to capture a 9 per cent market share, while Toyota lifted sales by 24.2 per cent to 389,000 increasing share to 8 per cent from 6.2 per cent a year ago.

Helped by new products, General Motors succeeded in maintaining its share at 36.2 per cent, a marginal rise on the first half of 1989. In the last decade, however, its domestic presence has been undermined with the loss of a quarter of its share of US new car registrations from 46.4 per cent in 1980 to 35.3 per cent last year.

After steadily improving its position throughout the 1980s, Ford, GM's main domestic rival, lost ground in the first half of the year with an 11.7 per cent fall in sales volume and a decline in its market share to 21.1 per cent from 22.7 per cent a year ago.

There has been an increasing shift in the US vehicle market from cars to light trucks, especially pick-ups and mini-vans (high roof seven-seat estate cars). The big three US auto groups still hold 84 per cent of this market. Light truck sales account for a third of the combined car and light truck market.

In the first six months light truck sales declined only marginally by 0.8 per cent to 2.42m. – with GM gaining ground and Chrysler again losing sales. As a result demand in the overall new vehicle market (cars and light trucks) fell by 3.6 per cent to 7.26m. The overall market fell in the whole of 1989 by 5.9 per cent to 14.55m.

US CAR MARKET
January–June 1990

	Volume (Units)	Volume Change(%)	Share (%) Jan-Jun 90	Share (%) Jan-Jun 89
TOTAL MARKET	4,841,000	−5.0	100.0	100.0
Imports	1,275,000	−9.3	26.3	27.6
Japanese makes - imports & US-built	1,322,000	+9.3	27.3	23.8
Of which Japanese US-built	528,000	+44.4	10.9	7.2
European imports	237,000	−4.9	4.9	4.9
SALES BY MANUFACTURER:				
General Motors*	1,754,000	−4.5	36.2	36.1
Ford*	1,022,000	−11.7	21.1	22.7
Chrysler*	436,000	−19.7	9.0	10.7
Honda	434,000	+14.3	9.0	7.5
Toyota	389,000	+24.2	8.0	6.2
Nissan	228,000	−13.8	4.7	5.1
Mazda	118,000	+4.1	2.4	2.2
Hyundai	70,000	−28.9	1.4	1.9
EUROPEAN IMPORTS:				
VW/Audi	79,684	−0.2	1.6	1.6
Volvo	49,300	−7.1	1.0	1.0
Mercedes-Benz	37,307	+2.9	0.8	0.7
BMW	31,487	−9.6	0.7	0.7
Saab	13,249	−18.2	0.3	0.3
Jaguar	9,450	+0.9	0.2	0.2
Porsche	5,131	+12.7	0.1	0.1
Yugo	3,725	−29.8	0.1	0.1
Sterling	2,336	−30.3	0.1	0.1
CAR PRODUCTION	3,191,000	−16.8	100.0	100.0
Of which Japanese US-built†	669,000	+17.8	21.0	14.8
LIGHT TRUCK SALES	2,423,000	−0.8	100.0	100.0
Imports	378,000	+5.2	15.6	14.7
TOTAL CARS & LIGHT TRUCKS	7,264,000	−3.6	100.0	100.0

*Includes captive imports. †Includes joint ventures.

Burton sells credit card business to US company

By Maggie Urry

BURTON Group, the fashion retailer, yesterday confirmed the sale of its credit card business and said it would withdraw from its property development business. Burton said it would "go back to its heartland and its strengths, which are in retailing." The two moves were the result of a year long strategic review, it said, and would reduce its borrowings.

The shares gained 5p yesterday closing at 109p. However, the property announcement came after the market closed and brokers said the share price was likely to rise sharply again today.

Burton's credit card operation, the largest store card operator in Europe, is being sold to GE Capital, the financial services subsidiary of General Electric of the US, for £182.7m in cash. Burton Property Trust, which runs the property development business, is to be put up for sale formally.

For GE Capital the purchase of the credit card business is its first move into store cards in Europe, although it runs 37m retail cards in the US.

Following the credit card sale, and the repayment of a £92m loan from the parent to the credit card business, Burton said its debt/equity ratio would be around 50 per cent at the August year end, up from 47 per cent a year ago.

Burton and GE Capital will have a long-term marketing arrangement, initially for 15 years, and GE Capital will charge Burton a commission to handle the card transactions, which account for about a quarter of the turnover in Burton's shops.

GE Capital is not buing Burton's stockbroking and fund management business which Burton hopes to sell to others.

Yesterday's announcements remove two of the uncertainties which have dogged the Burton share price in recent weeks. Mr John Richards, stores analyst at County NatWest WoodMac, said, "Burton has gone through the crisis of confidence and the market is getting what it wants."

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Thatcher launches Tory preparations for election

By Philip Stephens, Political Editor

MRS Margaret Thatcher has launched the Conservative Party's preparations for the next general election with the commissioning of a comprehensive ministerial "audit" of the Government's past achievements and present ambitions.

The Prime Minister is expected to push the process further today with a signal to backbench Tory MPs that she plans to set up about a dozen specialist groups – each chaired by a minister – to produce manifesto ideas across the whole range of policy.

Her preparations coincide with a flurry of activity among free market think tanks designed to ensure than the manifesto contains radical proposals in areas such as local government, housing, the environment and social policy.

Mrs Thatcher has hosted lunches in recent weeks for organisations such as the Centre for Policy Studies, the Adam Smith Institute and Institute of Economic Affairs to seek their advice on the main themes.

Senior figures in the Conservative Party are emphasising privately that they still believe that the relatively bleak short-term economic outlook makes it unlikely that the Government will be able to call a snap June election.

The conventional wisdom is that the autumn of next year is the earliest likely date and Mrs Thatcher herself warned earlier this week that she was prepared, if necessary, to wait until the end of her full term of office in mid-1992.

Mr Kenneth Baker, the Conservative Party chairman, is determined that this October's conference should not be a repeat of that in 1986 which created an unstoppable momentum towards an election the following June.

The conference is therefore likely to focus on broad themes from which the strands of the manifesto can be drawn rather than, as in 1986, on more specific commitments.

Each Cabinet minister has been asked to produce a detailed report on his department's achievements since 1979, on his present plans for the immediate future and on medium term priorities.

The audit will provide the basis for the work of the policy groups, which in turn will report to an "A" team of senior ministers which will be charged with co-ordinating plans for the election.

Detailed drafting work on the manifesto – which will be undertaken by the Prime Minister's policy unit – is unlikely to start until next year. But a number of ideas have already taken grip.

Mrs Thatcher emphasised yesterday her concern for a range of measures to reinforce family life, while senior ministers believe that a commitment to extend council house sales through a "rent-into-mortgage" scheme is certain to be included.

Community care plans shelved

THE GOVERNMENT has abandoned plans to restructure the care of the elderly and handicapped in the community from next April. That will instead become the starting date for a programme to phase in the changes over three years, writes Alan Pike.

Anxiety to hold down increases in community charge levels next year has forced ministers to defer full implementation of the plans. But the decision is a political embarrassment for the Government and it drew condemnation from local authorities and voluntary organisations as well as opposition MPs.

Mr Kenneth Clarke, Health Secretary, tried to hold high-spending local authorities responsible when he announced the deferral in the Commons yesterday.

He said it had become "overwhelmingly clear" that many authorities were not managing their services and spending so that they could deliver good quality services within reasonable spending limits. Because of local authority spending it seemed sensible that any new burdens on local government in 1991-92 should be kept to an absolute minimum.

Mr Robin Cook, the opposition Labour health spokesman, criticised Mr Clarke attempting to blame local authorities and said the real cause of the delay was the refusal of the Treasury to provide adequate funds.

British Telecom pushes up prices

BRITISH Telecom is to increase average household telephone charges by 9 per cent in September, although most large business users will see no change in their bills, writes Hugo Dixon.

BT said the price changes would bring its prices more into line with costs.

The discrepancy in the treatment of residential and business customers would have been greater if the Office of Telecommunications (Oftel) the industry watchdog, had not refused BT permission to raise its residential prices more steeply.

BT is increasing line rental charges by 12 per cent, while making only slight changes to most call charges.

This benefits businesses, which make many calls, but hurts residential customers, many of whose bills are dominated by the rental charge.

The prices of BT's main services are controlled by a formula agreed with Oftel, which keeps the average annual increase to 4.5 per cent below the rate of inflation.

The company said the effect was to increase prices by an average of 5.3 per cent, exactly 4.5 per cent less than the latest increase in the Retail Price Index. BT had wanted to put up line rental charges by more than 12 per cent.

BRITAIN IN BRIEF

Fayeds to appeal to Strasbourg

The 12-year House of Fraser saga entered a new phase yesterday as the Fayed brothers said they planned to lodge an appeal to the European Commission of Human Rights in Strasbourg as a response to the Department of Trade report into their purchase of the stores group, published in March this year.

Following legal advice, the Fayeds will argue that the "lack of basic safeguards" in the system by which DTI inspectors investigate companies is a "travesty of justice".

The DTI report said that the Fayed brothers lied repeatedly to their City advisers, to the press and to regulatory bodies during their £615m takeover of the Harrods stores group in 1985. But Mr Nicholas Ridley, the then trade secretary, said that there were no grounds for taking further action against the Egyptian-born brothers.

Reforms could ease EMS entry

Britain's full membership of the European Monetary System will be endangered unless the Government adopts new policies to straighten out the skewed UK housing market according to the latest research by Mr John Muellbauer for the Institute for Economic Policy Research, a left-wing research group.

Mr Muellbauer recommends a four-pronged approach. They include:

- restrict mortgage tax relief to those who need it by limiting it to the first 10 years of borrowing
- reverse some of the drastic cuts in building for housing associations and release land for development
- tighten capital adequacy ratios for the lending institutions
- bring back a property tax, preferably based on underlying land values.

As sterling's entry to the exchange rate mechanism of the European Monetary System would reduce the risks attached to sterling, interest rates would have to fall sharply.

Warning over lingering PCBs

A warning that dangerous quantities of toxic PCBs are still in existence and are not being safely destroyed was given yesterday by Mr Graham Searle, a director of Rechem Environmental Services, a British toxic waste disposal company.

Mr Searle said he intends to make inquiries in the electricity supply industry to see what has happened to these chemicals since production of them was halted world-wide several years ago. The materials – polychlorinated biphenyls – are used in transformers and in capacitors which even out electrical current. They are believed to be carcinogenic and their use is being phased out.

Brooke under pressure

Mr Peter Brooke, the Northern Ireland Secretary, is expected to come under pressure from Unionist MPs in the House of Commons today to explain the difficulties between the British and Irish Governments, which are holding up progress on his inter-party talks initiative.

Mr Brooke is aware of growing irritation among Unionists and the apparent failure to resolve the problem over the timing of the Irish input into the talks. There is no sign of a compromise. Unionist leaders said yesterday they remained willing to meet Mr Brooke.

Second homes tax under fire

Local authorities in Scotland called on the Government to abolish the standard poll tax, the new local tax to pay for services and amenities, when it applies to second homes. It says the standard charge causes difficulties to local authorities out of all proportion to the "benefit" it seeks to tax.

The Convention of Scottish Local Authorities (Cosla) told Mr Malcolm Rifkind, Scottish Secretary, that all houses which were not someone's sole or main residence should be liable to non-domestic rates instead of the standard community charge.

Daphne Parish (right) was met by her sister Brenda English (left) and other relatives as she arrived back in London yesterday after her release from an Iraqi prison where she had served four months of a 15-year sentence for spying. She had spent another six months in jail before her trial. Mrs Parish was flown to the Zambian capital Lusaka on Monday, where she met President Kenneth Kaunda who had intervened to obtain her release. Mrs Parish, a nurse, and Farzad Bazoft, a British journalist, were arrested after they had driven to an Iraqi military complex to investigate an explosion. Mr Bazoft was accused of collecting soil samples to try to establish the nature of weapons used at the military base. He was executed in March.

Miners may sue IMO

Members of the National Union of Mineworkers' national executive are today likely to consider sueing the Paris-based International Miners Organisation for the return of up to £1.8m held in accounts abroad.

The executive will hear a report from four members who met Mr Gavin Lightman QC on Tuesday for advice on whether to try to claim the money, contributed from the Soviet Union and east Europe during the 1984-85 miners' strike. Although Mr Lightman urged the union's executive in his inquiry report to claim money held in IMO accounts, there could be some reluctance to do this immediately because Mr Arthur Scargill, NUM president, is also the IMO president.

Mail complaints

Unsolicited mail prompted nearly half of the complaints received by the Data Protection Registrar last year, three times higher than the figure for the previous year.

In his Sixth Annual Report to Parliament, Mr Eric Howe, the Data Protection Registrar, described a range of complaints from recipients of time share brochures to a man who received large amounts of unsolicited mail addressed to his late wife.

The rise in complaints of this nature was part of an overall sharp increase in complaints from individuals totalling 2898, two and a half times the figure for the previous year. Complaints about not being given access to one's own files fell from 18 per cent to 8 per cent.

- The European Community's executive Commission proposed EC-wide rules to protect the privacy of personal information held by public authorities and private companies, yesterday.

Fraud Office fails to clean up crime in City of London

By Richard Donkin

THE Serious Fraud Office has failed to clean up financial crime in the City of London since it was formed two years ago, Mr John Wood, its director, said yesterday.

His admission, coinciding with the publication of the SFO's annual report, followed recent disappointments in some of the high profile cases undertaken by the office.

Mr Wood said the City had taken notice of the SFO and that the regulation, investigation and prosecution of fraud was more effective than it had been two or three years ago.

But he said: "I think it would be wrong of me to say it has had an effect on cleaning up the City – that is an aim and an ambition. I don't think we have achieved it or anything like achieved it yet.

"I would hope that in due course – and we are nowhere near it yet – the SFO, the City regulators and the prosecutors will be so effective that it will at least cause a lot of people to pause before carrying out a fraud.

"I suspect that is probably the best we shall be able to do. The rewards of successful fraud are so great the temptations are irresistible to quite a number of people." He said there would always be greedy people with an eye for the main chance who could not be stopped.

Mr Wood said a new law to give overseas investigators reciprocity with the UK, due to come into force in the autumn, would leave "fewer hiding places for fraudsters".

"The Criminal Justice (International Co-operation) Act 1990, when it is brought into force," said Mr Wood, "will enable us to assist overseas investigators in getting much of what they require, even before prosecution has commenced."

The SFO has been forced to drop some investigations because of difficulties obtaining evidence from overseas. The most notable was the 18-month investigation into the takeover of Harrods.

Figures released by the SFO show that its caseload is on the increase. It completed 17 trials in the 12 months to April 1990, convicting 10 defendants.

The previous year, it was responsible for nine trials which involved the same number of convictions.

Today it has 61 active cases on its books, with 32 under investigation, 18 awaiting trial and three part heard.

Companies establish new UK export organisation

By Andrew Taylor, Construction Correspondent

SOME of Britain's biggest financial, commercial and legal firms have established an export organisation to take advantage of increasing international interest in Britain's experience of privatising former public sector services such as telecommunications, water, and power industries.

Firms and companies such as British Airways and British Gas are seeking to sell expertise gained through their involvement in privatisation issues worth more than £30bn during the past ten years.

The British Privatisation Export Council was launched in London yesterday to help these companies sell their services overseas.

Some governments in eastern Europe, south America have already approached the British Government for advice in privatising some of their own publicly owned industries.

Mr Peter Young, acting director of the council, said its formation was in response to increasing overseas demand for British assistance in privatisation.

More than 100 countries had started or had plans to introduce privatisation programmes, he said.

Post Office loses £60.2m on sale of Girobank

By Paul Abrahams

THE Post Office, Britain's state mail network, made an extraordinary loss of £60.2m when it sold Girobank and its leasing subsidiaries this year, according to the Post Office's annual report published yesterday.

The report for the first time provides full details of the scale of the losses made on the controversial privatisation.

The way the deal was concluded led to accusations by the opposition Labour Party of incompetence at the Department of Trade and Industry, the government department which helped organise the sale.

Girobank, the Post Office's banking arm, was sold earlier this month at a loss of £43.6m to the Alliance & Leicester Building Society.

The Post Office received £111.9m compared with the bank's net value of £155.5m at the end of the year to March. The remaining loss of £16.6m was made on the leasing subsidiary which was sold to Norwich Union.

At the same time, it was announced that the Post Office suffered a 32 per cent fall in pre-tax profits for the year ending 28 March 1990.

Profits fell from £170.1m to £116.4m on turnover which was up from £3.9bn to £4.4bn.

The Post Office, however, stressed that the results, which represent the fourteenth successive year of subsidy-free profit, were above the targets set by the Government.

The Post Office has introduced new targets based on return on capital employed rather than return on sales – more in line with practice in the private sector.

The target is set to rise from a figure of 2.4 per cent set last year to 6.3 per cent in 1990 and 10.6 per cent the following year.

Any additional profits would be reinvested in improved services, the Post Office insisted.

Profits in the Royal Mail letters division and Parcelforce, the separate express parcels operation, fell from £97.4m to £32.1m, while those at Post Office Counters also declined from to £21.7m.

Girobank made a profit of £30.2m against £21.1m last year.

British prosperity compares poorly with Europe

By Alan Pike, Social Affairs Correspondent

REGIONAL wealth in Britain is lagging behind many of its European partners and gross domestic product per head in the prosperous south east, dominated by London, has been overtaken by Lombardia in Italy, according to the latest issue of the Government's Regional Trends report.

The report published today compares gross domestic product per head in Britain with other countries based on an EC index of 100.

The UK scores 107 overall with the south east, the wealthiest region, recording the highest GDP per head at 131.

Italy, meanwhile, has an overall national score of 104, but its Lombardia region nudges ahead of the UK's south east to 138.

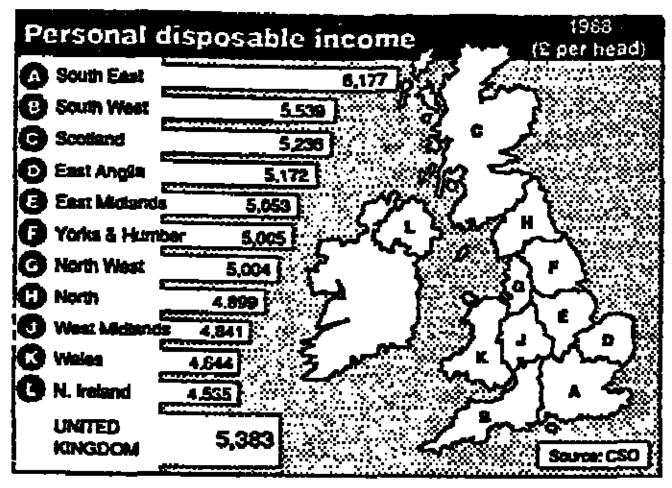
Spending in Britain is, in line with earnings, highest in the south east. Even though the region's residents have the nation's highest housing costs, they still manage to spend more on leisure goods and services than anywhere else except neighbouring East Anglia.

But GDP per head in the south east is considerably less than the Hamburg region of West Germany which has a score of 182, Ile-de-France 164 and the Brussels region on 155.

The Regional Trends of Wealth and Lifestyles shows substantial shifts in population have been taking place from many of Britain's older urban areas in recent years.

During the 1980s, the main growth in population occurred in East Anglia and the south west – although they remain the two most sparsely populated English regions – while the north, the north west and Scotland all lost population.

The proportion of retired people in the UK's population is high compared with other EC countries except Germany and Denmark, and the UK region with the greatest proportion of residents over pensionable age – 21 per cent – is the south west. On the basis of 1986 figures available for comparison, it has the highest proportion of retired residents in the entire EC.



Welsh men and women had the UK's lowest economic activity rates in 1988 – 5 and 6 percentage points behind the average – while average household expenditure of £177 per week was well below the UK level of £196.

Gross full-time male earnings averaged £239 per week in April, 1989, lower than in Scotland or any of the English regions but ahead of Northern Ireland's £231.

The region providing the greatest contrast to Wales in GDP terms is, not surprisingly, the south east of England which has a GDP per head 19 per cent above the UK average.

Greater London has the highest GDP per head, at 147 per cent of the UK average when the earnings of commuters living outside the capital are included.

It is still high at 126 per cent of the average if they are excluded.

Average gross weekly male earnings in the south east were £312 per week in April, 1989, compared with £243-£255 in the rest of England. Women's pay averaged £209, compared with a range of £159-£171 elsewhere.

Regional Trends 25 HMSO £21.50

Kinnock earns US recognition for Labour

By Peter Riddell, US Editor in Washington

MR NEIL Kinnock, the leader of the opposition Labour party, came to Washington looking for what the Reverend Jesse Jackson calls "respect" – the recognition that he is, what the black leader describes as, "qualified."

On his visit to Washington, which ended last night, Mr Kinnock wanted to be treated as a potential prime minister. He recognised that the Bush administration would not offer support; all he wanted was courtesy and interest.

In short, he wanted to erase the nightmare of his last, March 1987, visit, when there was an embarrassing squabble over the length of the meeting with former President Ronald Reagan and over Labour's defence policy.

Mr Kinnock fully achieved his public objectives. He was given a lengthy and polite reception by President George Bush, vice-president Dan Quayle and other senior members of the administration, as well as by Congressional leaders.

The visit went better than in March 1987 in large part because the Bush administration recognises the change in Labour's policies in the last couple of years, especially on defence and the European Community.

Establishing contact: Neil Kinnock and George Bush at the White House on Tuesday

This does not mean that Mr Bush and his advisers support Labour or want Mrs Thatcher to go, but they do want to have good relations between the White House and a potential British prime minister. Similarly, Congressional leaders are more interested than in the past in Labour's views.

When Mr Kinnock emerged from the White House late on Tuesday, he virtually wrapped himself in the Stars and Stripes in talking of a "common agenda" and "a healthy and productive relationship with a very common view."

Labour's unilateralism and anti-Americanism of the early 1980s is a world away.

Mr Kinnock's views on a continued American presence in Europe, the future of Nato and arms control are broadly similar to those of the Bush administration so he was able to portray himself successfully as in the mainstream of international opinion.

So big has been the change that, to the surprise of Mr Kinnock's advisers, he was hardly asked about Labour's defence policy, even when meeting Mr Dick Cheney, the US Defence Secretary. The US side did not raise difficult subjects, such as the siting of nuclear weapons.

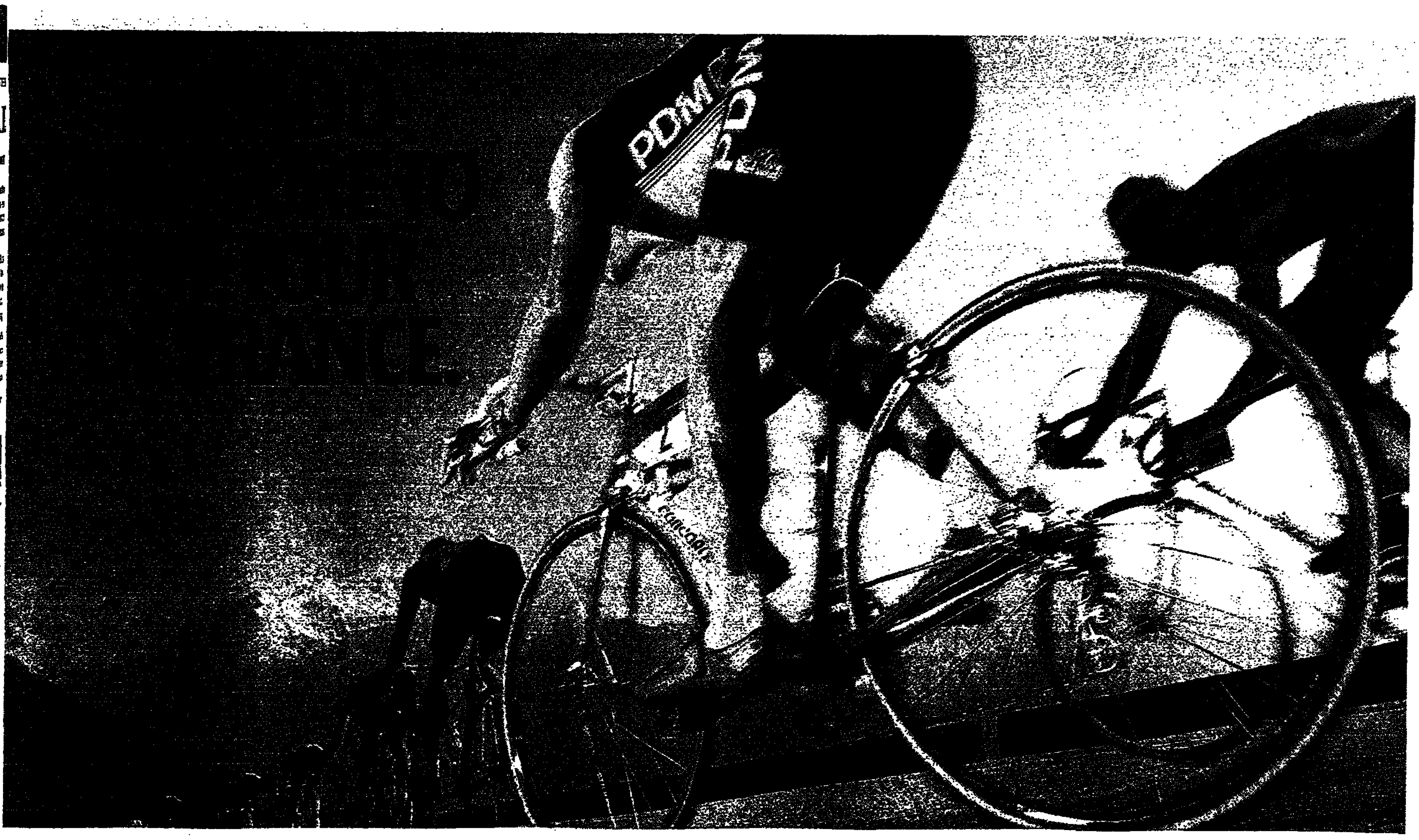
Mr Kinnock may now have removed, or at any rate significantly reduced, a potential area of political damage – the threat to transatlantic relations and Nato if Labour were to win an election.

He may have achieved the aim, expressed by Mr Gerald Kaufman, the opposition spokesman on foreign affairs, who accompanied him, of presenting Labour as a prospective government and a reliable partner in Nato and the EC.

But that does not mean Washington policy makers have suddenly become Kinnock-enthusiasts.

For all his apparent command over his brief, some Americans who met Mr Kinnock privately felt that questions about his depth and grip on issues had not been fully answered.

By Washington standards he still did not seem a heavy-hitter.



MANAGEMENT: Marketing and Advertising

A peculiarly Brazilian strategy

'Finest moment' of adland's rock star

Christina Lamb explains how the owner of one agency found a window of opportunity as inflation soared

Planning advertising strategy in a country where no-one knows what the next day's economic situation will be and where inflation swings between 1,800 per cent and zero in reaction to the latest in a series of government plans is no easy task.

But then Washington Olivetto is an unusual man. Not only is he known as the rock star of Brazilian advertising, with a personality and dress-sense as colourful as his name, but his agency was one of Brazil's only businesses to see a window of opportunity in the seizure on March 16 of 80 per cent of all personal and corporate savings by the new President Fernando Collor.

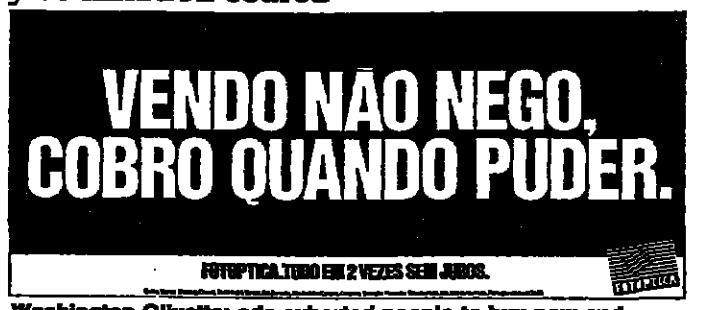
For the rest of the Brazilian advertising industry this draconian freezing of assets was the final nail in the coffin of an industry already suffering a slump. With no money to spend, the first thing companies would cut would be advertising. But, says Olivetto, it was his "finest moment."

Within hours of the announcement, he had gathered together fellow directors of his agency, W/Brazil, at his house and after a 48-hour brainstorming session, rethought the marketing strategy for all their clients. After two sticky months with business falling by 15 per cent and then by a further 20 per cent, things are now 25 per cent up on the levels before the liquidity squeeze. Moreover, in April when six of the other top ten agencies were laying off staff, W/Brazil gave its own an across-the-board 42 per cent pay increase.

W/Brazil looks like Brazil's most innovative agency should. Claiming to be "a first world agency in the third world", its black wicker plant pots, sculptured lamps and designer blinds blotting out the skyscrapers of Sao Paulo would not be out of place in New York or London.

But Washington says working in Brazil in an oscillating economy has given his agency the opportunity to develop an edge over first world agencies and to become very versatile. "We have a fantastic know-how of economic crazes. I'm 38 and for my 19 years of professional life there have always been different economic fads. Since the agency was set up four years ago, governments have come up with four different national economic plans, each time bringing everything to a halt and forcing us totally to rethink campaigns."

Its strategy to cope with the Collor freeze was effective – if crude. Bold black and white billboard and newspaper advertisements beseeched customers to buy clients' products with slogans such as "If you can't pay, we'll find a way" or, in the case of the photographic chain Fotoptica, "Please, for God's sake, buy something – however small; we need the money!"



Washington Olivetto: ads exhorted people to buy now and not deny themselves after the presidential freeze on savings

What W/Brazil had latched onto was that overnight "credit had gone from being an impossibility to a necessity," says Washington. When inflation stood at 84 per cent a month, credit cards were not accepted and paying in instalments carried extremely high penalties. Suddenly people's cashflow had been brought to a halt; the government's radical measures had slashed inflation to 0 per cent. It is now back to double figures.

W/Brazil's campaigns, therefore, focused on easy terms of payment. An added incentive which capitalised on the fear of potential customers that recession might affect their job security, was that if the buyer became unemployed he or she need not pay the last two of four monthly instalments.

The most successful campaign was that for the Zacharias tyre retailing empire which had been in the red. Within three days of the Collor announcement, W/Brazil had adverts ready claiming: "If you have anything which needs doing but no money, come in and we'll find a way." According to Gabriel Zellmeister, the agency's artistic director, only three people visited the 60 shops the day after the Collor Plan was announced; within seven days of the advert appearing, there were 700. This compares very favourably with Zacharias' best ever day of 1,000 customers.

Another client, Cofap, one of the world's biggest shock absorber manufacturers worth $750m and employing 25,000 people, was, according to Zellmeister, "on its knees and laying people off." No one was repairing cars and exports were down because of a poor exchange rate. In April W/Brazil began a $7m TV campaign featuring a dachsund begging for money to pay for a shock absorber for its master's car. Since then Cofap has exceeded projections made in December and sold July's production in June.

However, not all clients have prospered. Olivetto explains: "Some clients, such as banks, and domestic appliance and motor industry companies, immediately stopped advertising, so we concentrated on clients selling consumer products and advised others not to advertise. People just won't buy new washing machines at a time like this. We want our clients' business for 20 years not three months so we were totally fair in giving our views of their prospects."

W/Brazil ranks about eighth among Brazil's advertising agencies in terms of income – $63m last year compared with $8m in 1986 when it became independent. It was once part of Swiss based GGK which went to Brazil in 1973 to launch Volkswagen. It subsequently lost the account after four months but the agency stayed.

Today, Olivetto can afford to shrug off the Collor Plan as what he calls the "little disaster". He estimates that the plan resulted in a decrease in advertising of 30 per cent in the past three months but that was "30 per cent of something already very weak"; the industry had already been in decline in the last six months of 1989. Total Brazilian advertising revenue last year was $2.19bn.

Advertising in Brazil is unusual in that TV air time is much cheaper than magazine space. In the world's most telly-addicted nation, a successful soap opera can attract viewing figures of 93 per cent of viewers. This makes it a very attractive medium and one which generates 68 per cent of W/Brazil's income. Olivetto points out: "A double page spread in the leading news magazine Veja, with 870,000 sales and 4m readers, costs $100,000, while for the same money we can put on one 30-second commercial during the news and talk to 45m people."

According to Leda-Nielsen, the agency which monitors advertising, the split in national advertising revenue is 55 per cent on television, compared with 27 per cent in newspapers, 12 per cent magazines and 6 per cent radio.

Perhaps partly because of the large volume of television adverts it produces, W/Brazil last year had 19 commercials for 17 different clients shortlisted at the Cannes Awards in France. In Brazil, the agency won nine of the 12 best TV commercials at TV Globo, in a competition run by the company, which is the country's leading TV station and the world's fourth largest.

W/Brazil makes 125 commercials a year for 26 clients which include the country's biggest shoe factory, second biggest producer of cleaning products, the largest insurance company and one of Brazil's leading banks. Because he values the agency's independence, Olivetto turned down offers from all five Presidential candidates to handle their advertising campaign in last November's elections.

Olivetto is hoping for a tie-in with a foreign agency and claims: "With clients like these, in London or Europe our income would be ten times more. Brazil's great tragedy is that out of a population of 150m we have only 4m to 5m consumers."

The secret of his agency's reputation for originality, according to Olivetto – who has become something of a television personality – comes from "keeping the atmosphere buzzing." He regularly sends flowers to the female staff, the day's work is celebrated with drinks all round and every other Friday, stars are brought in ranging from TV personalities to footballers, artists to singers. He explains: "We have to keep our finger on the pulse."

The staff numbers are small, only 126, but wages are kept high to attract the best. Passing like a whirlwind among copywriters and designers, Olivetto says they are all hand-picked. "Our slogan is excellence in advertising and that means all our work. Other agencies have one brilliant job a year and live on that. For us each week without one brilliant TV commercial or newspaper advertisment makes us nervous."

With inflation now creeping back up to monthly double figures Washington expects to have to produce another advertising strategy for a new economic reality soon. "To think of Brazil without inflation is like transforming La Cicciolina into Mother Teresa," he says.

Socially responsible advertising

Snapping up controversy

By Alice Rawsthorn

A mentally handicapped man is stacking the shelves of a supermarket. Shoppers sweep past him averting their eyes. The film freezes catching the man in a smile. Suddenly he is happy with no sign of a handicap.

This starts off like a public service announcement but turns into an advertisement for Fuji film. It is now running on British television with another Fuji commercial in which an Asian woman is shunned by a group of white mothers as she waits to collect her daughter from school. This commercial also has a happy ending. The film freezes as a white child smiles while the woman hugs her daughter.

Howell Henry Chaldecott Lury, the advertising agency that created the commercials, sees the Fuji campaign as the prototype of a new *genre* of "socially responsible" advertising which highlights the unpalatable problems other ads ignore.

The counter argument is that, far from being socially responsible, the agency is exploiting other people's problems – mental handicap and ethnic oppression – to attract attention to itself and to its clients' products.

Rupert Howell, HHCL's managing partner, brushes aside such a suggestion. The agency checked the commercials with Mencap and the Commission for Racial Equality before they went on air, he says, and he has "bucketfuls of letters" from charities complimenting him on the commercials.

HHCL has cornered the market in controversy ever since it started four years ago. It is by far the noisiest of the noisy band of self-styled "third wave" agencies. These agencies were formed in the late 1980s in a flurry of rhetoric about how the old agencies were a bunch of boring old has-beens and how they were the young turks who would haul the advertising industry into the 1990s.

HHCL specialises in the "love it, or loathe it, but you cannot ignore it" school of advertising. Its launch campaign for Firstdirect, the Midland Bank's branchless banking service, with its apparently irrelevant and unrelated images was typical. The Fuji

Fuji says it with a smile

account, which HHCL won last autumn, offered an opportunity to produce yet another controversial campaign.

Fuji was the second player, after Kodak, in the UK film market and had spent relatively little on advertising in the past. HHCL's brief was to create a campaign to differentiate it from its competitors.

All the existing ads for films concentrated on the quality of the colour. HHCL decided to position Fuji as the film for professional photographers and to focus on the power of photography. It chose to do so by using everyday images.

In some respects it is strange that the Fuji commercials should seem so striking. They do not, after all, depict violence or even overt cruelty. The shoppers simply ignore the mentally handicapped man, just as the white women ignore the Asian mother.

"It is not as though we showed a bunch of skinheads kicking in a Pakistani shopkeeper, or spraying 'Pakis Out' on the shop," says Rupert Howell. "I do not think the ads are shocking, just incredibly intriguing."

Advertising agencies usually try to be shocking or intriguing either by spending lots of money on lavishly produced films, or by producing humorous ads. The Fuji commercials fit neither category. They were made very cheaply: just £80,000 to produce both. And they are certainly not humorous.

The ads are striking – and very powerful – because they are so different from conventional commercials. Advertising tends to be an aspirational medium. It persuades people to buy products by painting a rosy picture and papering over life's problems. Real life, particularly its less palatable side, rarely intrudes.

It is testimony to the timid nature of most advertising that Ogilvy & Mather's current campaign for Lever Brothers' Radion detergent has caused such a stir. The Radion ads, in which an ingratiating presenter shouts about smelly shirts, attract attention by being so different from the usual round of squeaky clean, whiter-than-white soap powder commercials.

The Radion campaign recently topped Marketing magazine's "most disliked ads" poll. But it has been startlingly successful in sales terms. Radion has captured 8 per cent of the £560m soap powder market in ten months. Joe Cliff, account director at Ogilvy, says the agency deliberately devised a campaign which, although the audience might not like it, could not be ignored.

In an industry where smelly shirts are considered to be controversial, it is scarcely surprising that commercials featuring mental handicap and racism should be seen as the pioneers of a new wave of "socially responsible" advertising.

The irony is that if they are – and if agencies do start to to churn out copycat "real life" ads – the Fuji commercials might not be quite so powerful after all.

Stewart McColl Associates

WPP Group has asked us to point out that Stewart McColl Associates was a public limited company, not a publicly quoted company, and was not in financial difficulty at the time of its acquisition two years ago.

TECHNOLOGY

A hostage to IT's fortune

Sir John Harvey-Jones speaks to **Alan Cane** about information technology

When Sir John Harvey-Jones says with emphasis that information technology is critical for industrial success, his views carry a hard-earned guinea stamp.

His period as chairman of ICI was distinguished not only by a transformation in the company's fortunes and morale but also by a steady flow of accounts, sometimes anecdotal, about the ways individual departments in ICI were using IT for competitive advantage.

It was, for example, one of the first companies to develop an executive information system, a method of displaying, analysing and modelling company results on a computer screen.

In his latest incarnation as the BBC's "Troubleshooter", he has built a new reputation as the man whose clear business sense enables him to see where companies – often in commercial areas he knows nothing about – are getting it wrong and prescribe appropriate remedies.

But he is the first to admit that there are no magic routes to success either in general management or in the use of IT.

The problem, on the other hand, is crystal clear. IT has created powerful new manufacturing techniques, generated whole new classes of products and services and opened up powerful new ways of buying, selling and communicating.

Yet survey after survey reveals that UK companies, by and large, are ambivalent about their use of IT, believe they get poor value from investment in technology and are mostly concerned with using computers to cut costs.

In other words, as modern business moves towards "flexible alliances" between customers and suppliers, companies are more concerned with the efficiency of their computer systems rather than seeking effectiveness from them. There are notable exceptions – major retailers, the banks and taxi companies have all made imaginative use of IT.

But senior – and, by implication, older – business executives often find it hard to come to terms with the potential of IT to revolutionise the way they do business: "The reason we do not see this as clearly as we should," Sir John says, "is that the implications of IT in industry are only just beginning to dawn on senior management. It has been used as a way of mechanising the way we do things but that is not its true value. IT enables you to do things in totally different ways. The problem is that IT is now so expensive a component that every board of every company I know spends quite a bit of time discussing it."

Briefly, Sir John argues for:

- Radical thinking stimulated by exposure to a broad church of ideas: "A lot of the people with the ideas about how a company should be saved through IT are 30-35 years of age and poor communicators. Not many companies will allow a somewhat incoherent, 35-year-old genius to make his input."
- His technique at ICI was instructive: "When I was chairman of ICI, I used to see the head of my IT department, who was a generation younger than I, every month, privately and personally when we would discuss all the things I wanted to achieve. He was one of the few people who was privy to all my dreams."
- Better attention to the human factors in managing change: "Change is not limited by technology. I do not know of any hardware or software manufacturer that could claim to be using more than 60 per cent of the potential of the technology available today." He says the limiting factor is the rate at which people can change.

The business winners, Sir John thinks, are going to be those with the imagination and foresight to visualise completely different ways of running business using technology.

- A gradualist approach to technological innovation to minimise risk: "You do not minimise risk by avoiding it, but you can avoid taking too many steps at once. Either apply a leading edge computer to a job you know or use a tried and trusted *machine for a leading edge business* concept. You are crazy if you build a new application using a new computer language and a new computer system."

Sir John Harvey-Jones: 'You do not minimise risk by avoiding it'

Obey all of Sir John's tenets and the path ahead will still be far from smooth. He is a disciple of Professor Michael Scott-Morton, director of the Massachusetts Institute of Technology's five-year "Management in the 1990s" study, which has opened up many of the complex relationships which determine whether a company can seize competitive advantage through IT.

In particular, he shares Scott-Morton's conviction that a continuous reappraisal of strategy is essential: "I do not belive we can get sustainable competitive advantage through IT. You cannot make one jump that keeps you ahead. But unless your IT is competitive then you are in a desperate situation," Sir John concludes.

Y little boys are now in the pink

By Clive Cookson

What makes a boy? Slugs and snails and puppy dogs' tails – and a gene called SRY.

Experiments at the Imperial Cancer Research Fund and the National Institute for Medical Research in London, published in Nature today, show that SRY (sex-determining region Y) is almost certainly the long sought-after gene that bestows maleness in mammals.

The scientists, led by Peter Goodfellow at the ICRF and Robin Lovell-Badge at the NIMR, do not yet have conclusive proof that SRY is the male sex-determining gene, though they are privately confident that it is. While a shadow of scientific doubt remains, they have to adopt a cautious public attitude. Other candidates for the sex-determining gene have been proposed before – and shot down. A strong candidate put forward in 1987 by David Page and colleagues at the Whitehead Institute in Boston was ruled out by further research last year.

Biologists have known since 1959 that the gene must lie somewhere on the Y chromosome. Women's eggs contain only the X sex chromosome, while men produce equal numbers of sperm with X and Y chromosomes. An egg fertilised by a Y sperm becomes an XY embryo, which will secrete male hormone after seven or eight weeks and develop testes. An egg fertilised by an X sperm becomes a female XX embryo.

The search for the sex-determining gene has focused on those extremely rare individuals who, because of natural mutations, are either biologically female and genetically male (XY) or biologically male and genetically female (XX). Scientists are looking for a gene that is consistently deleted from the Y chromosome of XY women and is transposed to the X chromosome of XX men.

SRY fits the bill. And further evidence that it is the sex-determining gene is that SRY is "expressed" (switched on to produce protein) in men's testes but not in any other organs. An almost identical gene is found in other male mammals – and it is expressed in the mouse embryo at the exact point when male and female development begins to follow a different point. Even yeast has a similar gene, which is thought to influence "mating-type", its equivalent of sex.

The scientists hope to obtain conclusive proof by carrying out a gene transfer experiment with mice. If SRY is transferred to a normal XX embryo mouse immediately after fertilisation, it should grow into a male.

Proof that SRY is the gene that makes boys will not be the end of the story. The next challenge will be to find out what switches SRY on and how it in turn regulates other genes that determine the development of the male embryo. Answers to those questions would be of fundamental biological importance, with applications from fertility to cancer research.

One of the most important current problems in biology is how the embryo develops – how the different cells "know" what organs they should grow into. "Here we have a gene which determines whether the gonad is going to become a testis or an ovary," Goodfellow says. "In some instances cancer looks like a developmental disease. The cancer cells don't stop dividing. If we understand the general principles of how control genes work, we may understand what's going wrong in cancer."

But the first practical application of the discovery is likely to be in agriculture. It could ensure that beef cattle breeders get only male calves, without unwanted heifers. The idea is to produce a transgenic bull with additional copies of the SRY gene on chromosomes other than the Y chromosome. Its offspring would be male whether they were XX or XY.

However the scientists were quick to point out at a press conference in London yesterday that it would be both unethical and impractical to use a similar procedure on humans. Parents who really wanted to ensure that their baby was a boy would find it easier to undergo in-vitro fertilisation and have a male embryo implanted in the mother's womb.

Louise Kehoe profiles a Silicon Valley start-up company that aims to commercialise superconductivity

Going with the current's flow

Superconductivity is one of those technologies that everyone agrees has enormous potential but nobody seems to know how to commercialise. Enter Conductus, a Silicon Valley start-up company with high hopes, venture capital backing and a staff of engineers hardened by experience in the semiconductor and computer industries.

The company's mission is "to commercialise superconducting electronics in a way that will provide significant benefits to society and bring a substantial return on investment," says Peter Cannon, Conductus president.

This month Conductus took an important step towards achieving its goals by opening the world's first factory dedicated to manufacturing superconducting electronic components. "Our doors are open and we are ready for business," says Ora Smith, vice president of marketing. Conductus has already built prototype superconducting devices for several customers including Hewlett-Packard, one of its financial backers, he says.

Conductus aims to create new markets by splicing superconducting technology with conventional electronics. Potential products include sensitive sensors which can, for example, detect the radiation emitted by a distant star or the tiny electromagnetic signals of the human brain.

Superconductivity is a phenomenon in which electricity flows without resistance. "What superconducting chips buy you is increased speed of operation and reduced power consumption," Smith says. "The price you have to pay is keeping the superconductor cool." Conductus plans to make supercomputing devices that operate at about minus 240 deg F, the temperature of liquid nitrogen.

The company has developed methods of forming micron-thin layers of superconducting material needed to make electronic components on a chip.

Conductus plans to bring to market next year a bolometer, a device to measure heat radiation. It will have a strip of superconducting material set at a temperature on the threshold of superconductivity. When radiation strikes the material it warms momentarily. This causes a rush of current that can be detected by sensors. The device is expected to find applications in scientific instruments such as spectrometers.

Conductus is also working on the development of devices called Superconducting Quantum Interference Devices (Squids). They have a loop of superconducting material with two connections. When the magnetic field within the loop changes, the current flowing through the loop varies sending a signal to an electronic system.

Potential applications of Squids include systems to detect brain waves and to monitor the human heart. The Squid could also be used to enhance the sensitivity of surveillance systems on board planes and in tanks.

As well as developing its own products, Conductus plans to form collaborative ventures, acting as a foundry for manufacture of superconductivity devices they design.

Conductus faces potential competition from some of the world's leading electronics companies such as IBM, Hewlett-Packard, Hitachi, Fujitsu and NEC. Its focus on superconducting components sets it apart, however, and flies in the face of the prevailing wisdom in the US electronics industry that success in new generations of technology will require government-backed collaboration among industry leaders.

Instead, Conductus plans to form research and development partnerships like those common in the biotechnology industry to finance specific product development projects.

The company aims to generate revenues of $1.2m in 1990 growing to $3.8m in 1991. Profitability is about four years off, Conductor says.

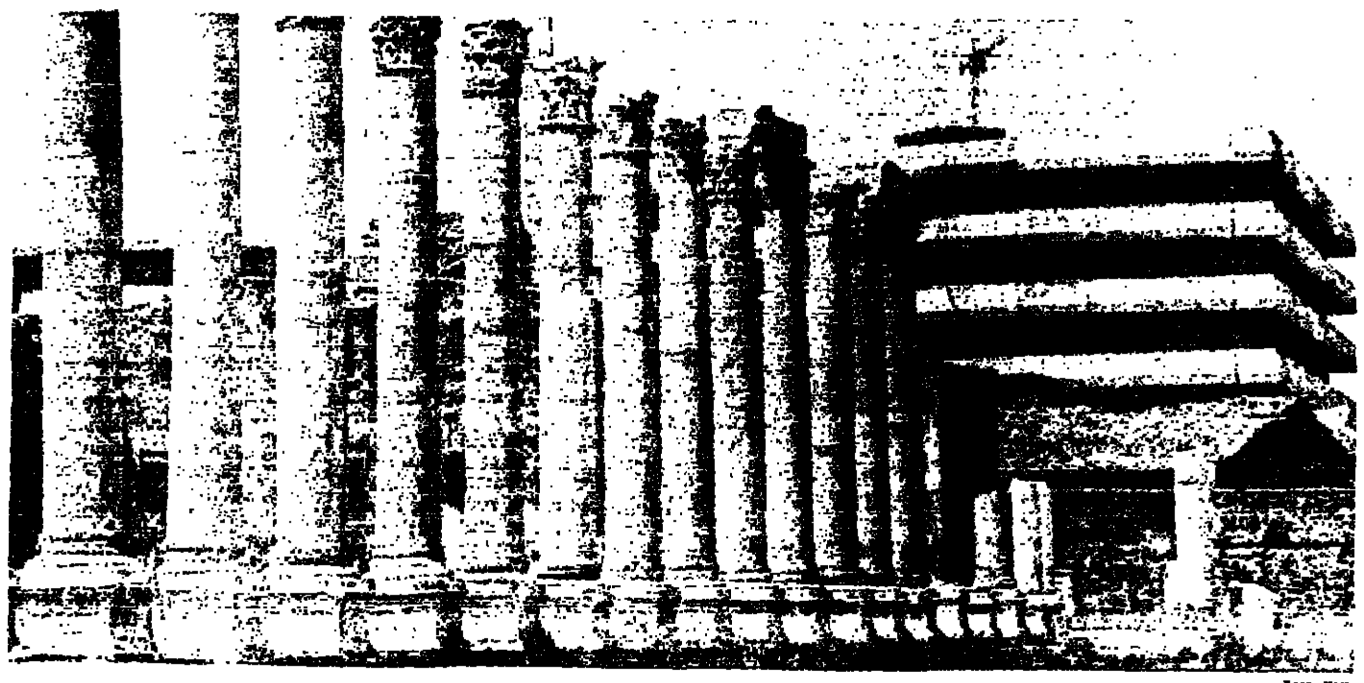
Conductus expects to face fierce competition from Japan as the market for superconducting chips develops. "The Japanese are good at high volume manufacturing. When this becomes more than just a boutique industry it will be time for us to shapen our swords," in preparation for a competitive battle, says Smith.

IZMIR AND THE AEGEAN

Thursday July 19 1990

Izmir's industry, dominated by its patrician families, has shown resilience to the changing fortunes of the Turkish economy, reports **Jim Bodgener**. The region has learned to adjust its role around that of Istanbul and enhanced its commercial prospects

In search of opportunities



The Roman Agora at Namazah

Terry Kirk

DURING the 1980s, it appeared that Turkey's third largest city would be completely eclipsed by the frenetic bustle of commercial activity generated by the Government's free-marketeering policies in Istanbul. Not that the ancient Smyrna was in decline but, with its more measured and graceful pace, it might have fallen behind its sister metropolis.

However, Izmirli industry, banks and commerce, dominated by patrician families whose origins in some cases go far back into Ottoman times, and include Levantine, French, English and Italian dynasties, have demonstrated a resilience imbued from long experience of the changing fortunes and vicissitudes of the Turkish economy.

While an overspill of banks and industry from Istanbul has washed into the city, the older familial networks have rallied, issuing in a series of mergers and joint ventures. Izmir's native enterprises have even sought wider opportunities in Istanbul.

The region's economic future seems assured, given its solid affluence grounded in its abundant agricultural base. Per capita income is generally higher here than in other parts of the country, and Izmir and the Aegean lead Turkey in consumer potential.

A symbol of the city's commercial promise is the rising tower of the Izmir Hilton, destined to challenge the Buyuk Efes Hotel on the city's central square (Cumhuriyet Meydani) for the position of the city's premier hostelry. An international trade centre is being planned by Izmir municipality, while a new entrant, entrepreneur Mr Huseyin Bayraktar, plans to replicate his successful Galleria shopping mall in Istanbul.

For foreign investors, Izmir and its environs have many advantages when compared with other regions, even Istanbul.

It has a well-educated population comprising some 11 per cent of the Turkish population. The Aegean region is well-endowed with good educational establishments, from which issue a pool of intelligent people who usually do not want to leave their home city. Bankers and industrialists in Istanbul face far greater difficulty finding high quality recruits.

The Aegean accounts for about one-sixth of total farming produce, and more than one-tenth of total industrial output.

The city's port facilities at Alsancak handle roughly one-third of the country's total exports, and one-tenth of its imports, with some 2,000 ships berthing annually. Mass tourism in Turkey started in the Aegean, and though cooling off this year, is still one of the most promising growth avenues.

Leading foreign investors, particularly in the car industry, have taken note of Izmir as a less congested bridgehead into a domestic market with an expanding consumer culture and a fast proliferating population.

Heading a new wave of foreign investment are two car projects, one by General Motors nearing completion at Torbali, and another in the wings by Peugeot/Citroën. Both will foster components industries.

There have been serious suggestions that Izmir should start Turkey's second stock exchange. Others with a medium-term outlook say that is at least two years into the future as Izmir's leading families are not ready to let go much of their jealously guarded equity. According to this view, the Istanbul stock exchange should be allowed to gain sufficient strength before another market competes for domestic equity listings.

Optimism abounds. With its pivotal location and port facilities close to European markets on the one hand, and to the Middle East on the other, Izmir could be more important than Istanbul in the long-run, says Mr Dundar Soyer, a prominent businessmen and politician.

The development drive in Turkey during the 1980s, with attendant pangs, did not pass Izmir by.

It too has its share of the grand infrastructural projects launched in the early years of what by now has become known as the Ozalian era, after President Turgut Ozal, prime minister for much of the decade. Schemes included a highway project into the hinterland, a new Adnan Menderes airport and port and harbour works.

The region has a population swollen by rural-urban migration, with the resulting social and environmental problems that are crying out for immediate and remedial public works.

In last year's March local elections Izmir, like the other main urban conurbations across Turkey, rejected the ruling Motherland Party for failing to curb high inflation. As in Istanbul and Ankara, a new metropolitan administration from the main opposition Social Democratic Populist Party (SHP) took over from ANAP.

It promised to clean up on the allegedly murky track record of its predecessor, by instituting a local government truly responsive to the city's special needs, rather than an administration answering to Ankara's political dictat.

More than a year later, as in Istanbul, disillusion with the lack of visible progress on the city's more pressing problems has soured the early honeymoon of the electorate with its new mayor, Mr Yuksel.

His critics say he has become too embroiled in politicking, and disputes with the subordinate district mayors over issues such as land allocation. The administration's defence is that it has been denied the central government munificence bestowed liberally on its predecessor.

Whatever the truth, Izmir's problems need urgent attention. The pollution of the bay, for example, and particularly the harbour area with its floods of untreated sewage and industrial effluent.

The stench from the sea and the Meles creek behind Alsancak is overpowering at times – that same sacred Meles beyond which, legend has it, Apollo pledged that happiness would attend the city's founders and inhabitants.

However, to walk along the city's corniche boulevard today leaves very little appetite for the fish restaurants the city is famed for.

In what seems a golden age, though only about twenty years ago, the citizens could go swimming on beaches at the end of the bay, and people tied up boats at the bottom of leafy gardens. Now the rich have moved out, to Cesme and other more salubrious areas.

The problem needs a comprehensive approach, with large investments in new sewage treatment infrastructure and industrial waste treatment plants. Contracts are being awarded for the Izmir Great Channel Project, supported by the World Bank, but it will be several years yet before its beneficial effects are noticed. By that time, Izmirlis may have lost faith with Mr Cakmur.

One salutary trend from the existing pollution, however, is a determination among the city's inhabitants not to let it get worse.

In one of the largest popular demonstrations since the 1980 military coup, about 20,000 residents joined hands earlier this year and formed a human chain around the city centre in protest at the proposed construction of a $1bn thermal power station at Aliaga, about 40 kilometres up the coast to the north.

The project had been awarded to a Japanese consortium on the government's build-operate-transfer (BOT) method of farming out franchises to the private sector. Environmental opposition fronted by Turkey's fledgling Green Party has forced the Government to add an expensive flue desulphurising scrubber to the scheme.

Nostalgia is often expressed for the Izmir of days long gone especially by old-timers who find the city increasingly frenetic, tawdry and soiled. They say the genteel manner with which Izmirli's traditionally conducted their business affairs is sadly passing.

However, a tangible warning that the city cannot cling to its past is the Izmir international fair, founded by the great nationalist leader and the Turkish republic's founder, Mustafa Kemal Atatürk in the 1930s as Turkey's shop window to the world, and vice-versa. It used to be the podium from which Trade Ministers announced annual programmes. But it has recently lost much of its former importance.

The debate is now whether the fair should still falter on with annual international exhibitions, or concentrate its resources more on dedicated themes, such as construction equipment, or food processing and farm machinery.

The world's cities cannot subsist on nostalgia alone. Happily for Izmir, international, national and local interests are coming together to reshape and renew its identity.

IN THIS SURVEY

Izmir Borsa

Izmir clocktower

Terry Kirk

Metas plant at Izmir: founded in 1956, it had to shut down this year

INDUSTRY

Still a family affair

DURING THE sunset of the Ottoman empire, Turkey's pioneering urban centre of industrialisation was Izmir as the centre of foreign capital investment. Today, the Aegean region accounts for 11 per cent of the country's manufacturing output, and 13 per cent of its industrial exports.

Some of the enterprises established early this century are still trading. In spite of the new investment building up in Izmir its big business and industry, at least in the Aegean context, is very much owned by some 15 tightly-knit and networked families, such as the Yasars who came from Rhodes early in the century.

Some families such as the Ozakats go back into Ottoman history. Others, such as the textiles dynasty of the French Giraud family, are of more recent foreign advent, but are established patricians. Yet others have moved their business headquarters to the country's financial and industrial centre in Istanbul, but retain a strong presence in Izmir.

Traditionally, Aegean industry has, like its exports, reflected the agricultural base of the regional economy, in food products and textiles. The rationale in the 1960s and 1970s was import substitution, leading to, for example, the establishment of a British Motor Corporation (BMC), later the British Leyland truck plant with the addition of Land Rover.

However, during the 1980s, the export drive pursued as the linchpin of the government's economic policies brought about a significant restructuring and diversification.

Textiles came more to the fore, while the large private iron and steel complexes established at Yeni Foca proved to be a model of cost-efficiency to state-run mills elsewhere in Turkey. However, two of the mills last year faced serious difficulties, partly as a result of the Government's withdrawal of export subsidies in line with GATT commitments. Metas, had to shut down this year, though the Government is expected to produce a rescue package.

Much of the investment in the region in the early 1980s was accounted for by the development of a large state-owned petrochemical complex at Aliaga, Alpet, for Petkim, the state-owned petrochemical concern which will be substantially denationalised this year.

As Istanbul becomes more crowded a fresh wave of large national and multinational corporations is moving in to Izmir. These include car makers, General Motors and PeugeotCitroën. Izmir with its highways and port facilities had obvious advantages over Istanbul for these companies.

"We looked at many sites in Istanbul, but they were all too congested," says Mr Ziad Nashif, managing director of the new General Motors assembly plant nearing completion at Torbali. However, in spite of generous government incentives, the impoverished south-east of the country pales by comparison.

Big business and industry, at least in the Aegean context, is very much owned by some 15 tightly-knit and networked families

There is also considerable fresh investment in electronics and other durables besides cars.

This is because of Turkey's newly discovered locational advantages as a base for vertical integration.

This can be seen in the various offshore operations, through the export of components or on an original equipment manufacturer (OEM) basis, where units made in Turkey are sold abroad under a brand name other than that of the Turkish manufacturer while being marketed in Turkey itself.

"The world is getting smaller and smaller because of the information explosion," says Professor Baybars Tek, teacher of marketing at Izmir's Dokuz Eylul University.

"World brand names are fast expanding throughout Turkey through imports and exports, and an expanding service culture. People are learning very rapidly, particularly through heavy television advertising campaigns."

Industrial investment in the region has benefited since the early 1970s from the presence of organised industrial estates, such as the one at Manisa. This is being taken a stage further with the development of a free trade zone at Gaziemir, south of Izmir, one of four in Turkey that was launched in the mid-1980s as beacons for export-oriented foreign investment.

The Aegean Free Zone (AFZ) is being developed on a 220 hectare site by ESBAS (Aegean Free Zone Development and Operation Company), helped by California's EAC International, with sub-zone areas at the city's Alsancak port, and Adnan Menderes airport. Companies established in the zone will be exempt from Turkish taxes, tolls and customs duties – except exports from the zone into Turkey.

Industries in the zone are seeking to attract the region's existing traditional and more recently founded industrial activities such as electronics and related hi-technology manufacturing, food processing and packaging, chemicals and pharmaceuticals, speciality textiles and footwear, machine parts and accessories as well as banking, insurance and engineering services.

However, along with the rest of Turkey the region has suffered from scarce capital financing. In this respect, relatively heavy investment in traditional consumption industries such as food processing, tobacco and cotton/textiles could be better understood as necessary adjustments to the export drive.

Turkey has seen many oscillations in demand since the early 1980s. One of the biggest problems for consumer durables manufacturers is that the country is in the grips of an upswing and companies find it difficult to respond adequately after having tightened their belts for two years due to high interest rates, and the poor credit rating that much of the under-capitalised industry has.

The rise in demand was partly politically generated with government wage and salary hand outs last summer. To the dismay of the private sector this was repeated to some extent this year.

The credit squeeze particularly hurts small-to-medium size companies, which form the majority of manufacturing enterprises in the region under the crust of the larger corporations. This stunts upward mobility, and ossifies the larger corporations in their commanding market positions. In the region, small enterprises produce 59 per cent of industrial output, medium-sized 27 per cent, while the larger corporations have a 14 per cent share.

On the trade front, exporters are gloomy, holding out little hope of the Government meeting its $12.5bn export target this year.

The export decline has come about because foreign exchange depreciation lags behind inflation, reducing both competitiveness and margins, and from continuing problems in important Middle East markets, especially Iraq, say the traders.

On the other hand, eastern Europe is also short of cash, and the Soviet Union has its own hard-currency difficulties, although Turkey has provided extensive credit lines. The EC, as always for Turkish exporters, especially for textiles, is constricted by quotas set in Brussels.

Jim Bodgener

THE BANKING SECTOR

The rim of the hub

FOREIGN BANKS crowding into Izmir over the past two years hoped to emulate their earlier successes in Istanbul in the early 1980s by carving up the lucrative foreign exchange market.

The difference in Izmir was that most business was already shared between the native banks. They were largely controlled by the city's patrician ownership of industry and commerce who had long established accounts with them.

The present tight markets in the big city, where spreads have been pared by competition and the depreciation of the lira relative to inflation, have been replicated in its Aegean cousin. At present, 12 foreign institutions are predicted to be facing a falling off of exports. With insufficient clients, competition is cut-throat.

Since Izmir had long been home to traders in tobacco, cotton and other traditional agricultural produce, the native banks knew the international ropes. There was no long learning process to catch up on the small foreign interlopers, as there was in Istanbul.

Turkish banks on the other hand, whether national or Izmirli banks, can rely on Turkish lira (TL) financing through extensive branch networks, and latterly, the burgeoning consumer credit market.

Yet while the foreigners have moved in, the two main native banks are moving their headquarters to Istanbul, still the country's financial and commercial hub.

The first to go, in October 1989, was Tutunbank, subsidiary of the Yasar group. The move has paid off, according to the group's vice president for economic relations, Mr Gazi Ercel.

Credits almost tripled, greatly easing the burden of over-liquidity that Tutunbank, like most other domestic retail institutions, had taken on during fierce competition for deposits when interest rates were freed in the autumn of 1988. The bank had profits in 1989 of about TL5bn on credits of TL171bn and total deposits of TL131bn.

"But we will not stop our emphasis on the Aegean region, where we have a very good customer base," says Mr Ercel. "Our aim is to increase our transactions on the asset and liability side, attract funds, and distribute them in the Aegean area." But not to Yasar group companies, Mr Ercel is careful to stress – they can only look to the bank as a lender of last resort, if other creditors fall down, or if bridging finance is urgently required. At the end of 1989, the total exposure of Tutunbank to other Yasar Group concerns had been reduced to TL9.4bn from TL17bn in 1988.

Quite apart from corporate finance, Tutunbank sees a lot of opportunities in the relative affluent Aegean region for expanded consumer credit services, says Mr Ercel. Another area is the growing demand for equity through the Istanbul stock exchange, where Tutunbank is a broker. However, its securities department will stay in Izmir rather than move to Istanbul. It will be to the fore in Izmir providing financing for tobacco and other agricultural producers.

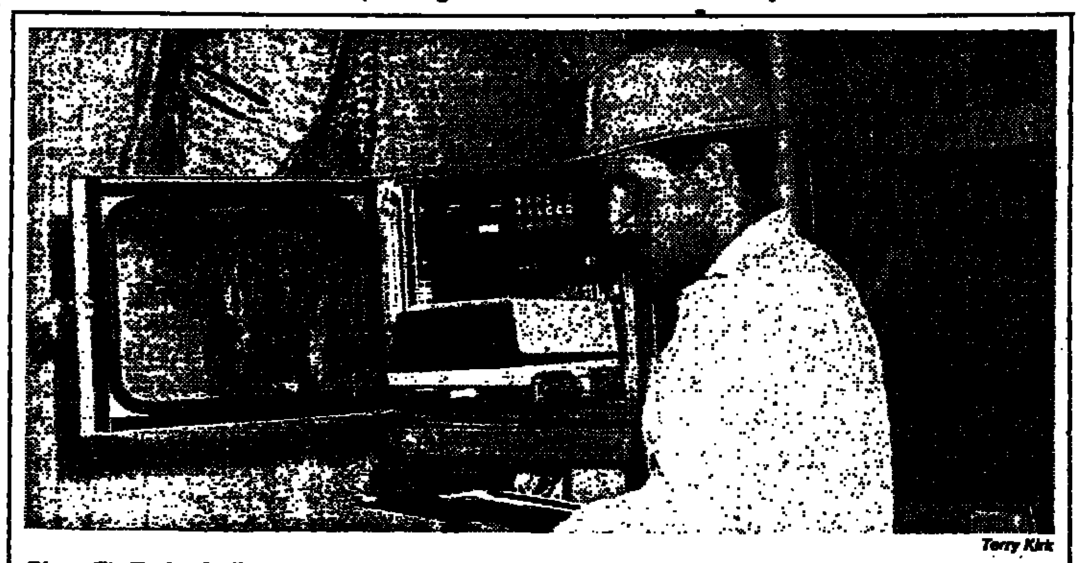
The second of Izmir's native banks, Egebank, is also shifting its headquarters to Istanbul. This follows the purchase of the majority of its shares for about $10m by Mr Hudeyin Bayraktar, an entrepreneur from Kayseri in central Anatolia who made much of his fortune through real estate development in Istanbul. He is noted for the Galleria shopping mall complex at Atakoy. Mr Bayraktar has plans for a similar development in Izmir.

Control over the bank had been disputed by two scions of the leading Ozakat family, before they decided to settle their differences by selling up. However, sizeable stakes in the institution's capital remain with several of Izmir's other leading patrician dynasties.

Egebank's main business in Izmir, 60–80 per cent of its transactions, has always been in the sphere of international trade financing. Now, however, the emphasis in Turkish exports has shifted away from agriculture to industrial products – and Istanbul, says a senior bank executive.

On the other hand, like Tutunbank, the institution intends not to lose sight of its small depositors along the Aegean. Though it has recently opened two branches in Istanbul, more than half of its 22 branches are in Izmir.

JB



Terry Kirk

Pinar Et: Turkey's first meat production plant still seen as a burden for Yasar

YASAR

Facing a meaty problem

IZMIR'S main industrial conglomerate is Yasar Holdings, which aptly relies on both the Aegean's traditional agricultural strengths, and modern industry. The company is looking into the next decade with renewed vigour after coming out of a troubled period in the second half of the 1980s.

The group has two basic lines, one using chemicals and metals such as paints, fertilisers, tin cans, paper, and steam boilers, and on the other side, agro-industry. Group sales turnover in 1989 was about TL1,500bn of which $185m worth was exported. Pre-tax profits amounted to TL61.6bn.

However, Yasar is still carrying the burden of an investment in a slaughterhouse facility in the mid-1980s alongside Pinar Et, its meat packing subsidiary, which in 1989 produced 766 tonnes of frozen products and 743 tonnes of rendered products.

Yasar thought it would not have to compete against a municipality slaughterhouse which was expected to be closed down due to its polluting and unhygienic location at the end of Izmir bay. But the municipality's operation is still operating, and will continue when a replacement facility is completed on a different site.

The group is confident that it can overcome this hurdle, and that there is sufficient demand, if properly tapped in the Aegean region, for both the Yasar and municipality slaughterhouses, says Mr Mustafa Guclu, its vice-president for finance and foreign trade.

There is a large potential for meat products if properly packaged and marketed throughout Turkey. To this end it has hired the Union International Consultants, a Vestey subsidiary based in the UK, he adds.

Bankers say the group has a sound financial structure and is in far better shape this year having sold assets such as the Altin Yunus tourist complex in Marmaris. Last year, it also resolved a long-running dispute with its brewing partner, Denmark's Tuborg.

What Turkish industry lacked in the 1980s were sound company structures, says Mr Guclu. He says for a group of Yasar's size, a new investment has to be in the order of $40m to obtain the right economies of scale. Yasar intends to obtain a better place in the Istanbul stock market; and may market shares abroad.

JB

Gypsy weaving carpets and bags in the grounds of the castle on Mount Pagus

Terry Kirk

Cotton production and the textile industry

Cheaper foreign yarn worries traders

THE AEGEAN region is the original cotton growing heartland of Turkey's dominant textile sector, which last year accounted for roughly one-third of exports. Pamuk Mensucat, Taris and Soktas head the industry countrywide.

This year's regional raw cotton production is expected to be around 330,000 tonnes, although countrywide output will probably fall again as growers have planted less because of lower prices and competition from imports. The Aegean staple is of better quality than others grown in Turkey, mainly in the Antalya and Cukurova plains, but not quite as good as in Egyptian fibres.

Though most if not all cotton produced in Turkey is purchased and used locally, there are likely to be considerable surpluses as irrigated cotton growing spreads over the vast flatlands under the south-east Anatolian development programme later in the 1990s.

The EC quota system is a long-standing gripe for Turkish textile traders with their high turnovers and low margins. This grievance was heightened by the phasing out of export tax rebates last year. "If there were no quotas, we'd be able to export five times as much," says Mr Oktay Erol Pulcuoglu, the proprietor of May Tekstil on Manisa's industrial estate.

The company is typical of the medium-size textile company common in the Aegean with an annual turnover of about TL35bn. It makes T-shirts, sweatshirts, dresses, underwear, all 100 per cent cotton readywear – the kinds that attract the highest EC quotas. Even so, last year the company moved into a newer, larger factory on Manisa estate. The company employs about 150 seamstresses on a large, open plan production floor.

About 90 per cent of the company's exports go to West Germany with the UK and Austria taking most of the remainder. East European and Soviet markets will not replace the EC for May Tekstil, says Mr Pulcuoglu – there is no market for more expensive boutique products which require labour intensive methods.

Eastern bloc markets want classical fashion lines which involve greater automation. Indeed, much of the factory's output is ordered by European fashion houses which provide the designs and patterns, although May does have a small design department.

In general, the Turkish textile industry is moving towards higher value-added products, through the manufacture of readywear for example. The gains are obvious – raw cotton sells for between \$1.8-\$2 per kilo, cotton-yarn at about \$3-\$4 per kilo. But in terms of value-added for the higher end of the textile market, factors not percentages of total primary costs are the yardstick.

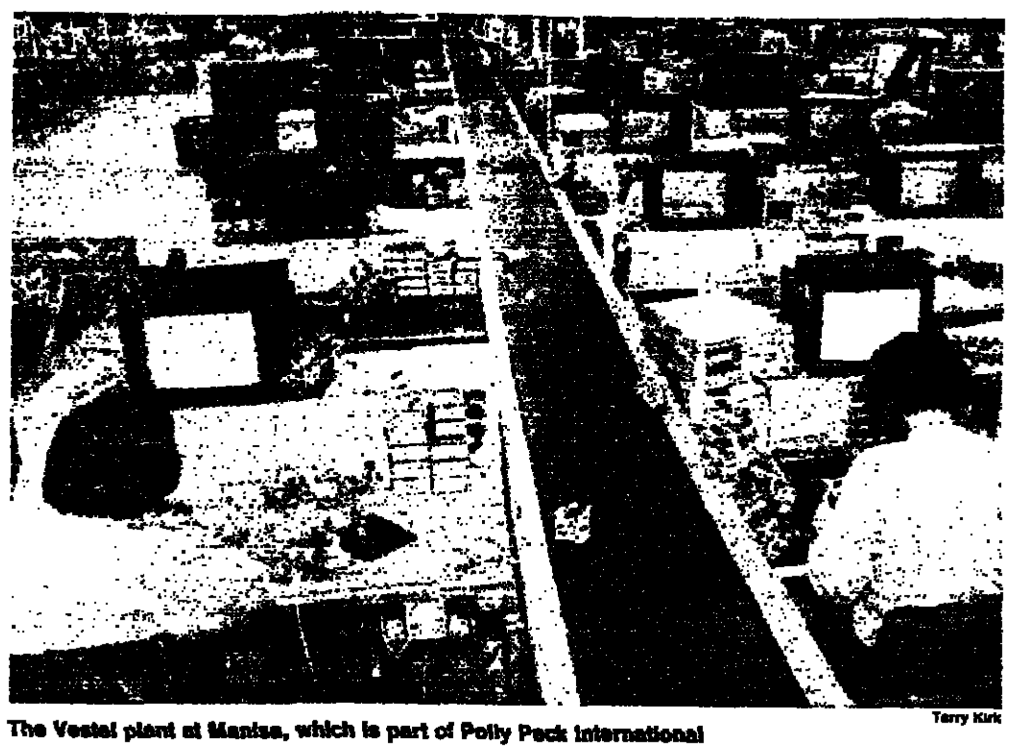
Turkish suppliers face increasing competition in Europe for cotton yarn from India and Pakistan with their lower production costs. Since last year growers and textile manufacturers have suffered from cheap foreign competition following liberalisation of cotton imports. Unfortunately for many companies which had concentrated on spinning, cotton yarn is the most vulnerable of domestic textile manufactures to foreign competition.

However, by balancing costs and prices, adequate pickings can still be won from cotton-yarn production, says Mr Ahmet Cetinbudaklar, the general manager of the Taris agricultural co-operative, Its members grow about one-third of the regional crop, and it makes about 150,000 tonnes annually of cotton yarn, of which about 100,000 tonnes are exported.

Mr Herve Giraud, owner of Pamuk Mensucat, is considering the import of cotton yarn and grey cloth from Pakistan at up to one-third of the price of local products following last year's imports liberalisation. The company was founded in 1914, when it was called the Smyrna Cotton Manufacturers. The plant is Turkey's second oldest and one of the country's largest. It has a fabric output of 30m metres a year, half of which, mostly bed-linen, is made-up, and the rest printed.

Turkey can still compete with Asian and Far Eastern producers where value-added is concerned in printed fabrics, says MrGiraud. It also has a quicker delivery response to the main markets in Europe.

Jim Bodgoner



The Vestel plant at Manisa, which is part of Polly Peck International

Terry Kirk

Jim Bodgener looks at the Manisa industrial park

An estate to match the best in the West

NOTHING is further from the polluted Dickensian squalor of some of Izmir's industrial outskirts than the sunlit open spaces of the industrial park at Manisa. Some 35 kilometres away from Izmir, it has become a model to all Turkey since its establishment in 1970.

Environmental conditions on the 175 hectare estate will be brought on a par with the West once a water treatment plant costing \$12m is completed in a couple of years. The estate will nearly double its size in that time, with the addition of another 150 hectares. The second stage will cost \$12m in infrastructural investment and serviced sites will be sold off at about \$22 per square metre.

Almost 90 per cent of the sites are spoken for by newcomers, including West Germany's Bosch Junkers and the Gillette of the US. In addition to service sites, the estate also offers telecommunications, a fire service, a clinic and an airstrip. The 69 plants on the park include electronics, metalworking, plastics, ceramics, foods, can pressing, furnishing, and a chemicals concern.

These include Vestel, an electronics, hi-fi and television assembler owned by the UK's Polly Peck International and controlled by Mr Asil Nadir, the Turkish Cypriot entrepreneur, and Raks a video and audio tape maker.

Both companies have a considerable export volume in supplying other companies on an original equipment manufacturer (OEM) basis. Vestel, in particular, is vertically integrating with other electronics concerns in the Polly Peck group. It expanded in January this year with the purchase of Sansui in Japan. A move which is seen as a first step on the international acquisition trail for PPI.

About half of the Vestel plant's annual exports – which comprise 70 per cent of the company's total turnover estimated at at TL800bn for the current financial year – come in the form of OEM components to sister companies in the PPI group. These include Imperial, based in Italy, which takes colour televisions from Vestel and markets them under its own name. To help Imperial out of difficulties in 1983, the manufacture of some of its products has been transferred to Vestel in Manisa.

Other Vestel products go to non-PPI world brand names, such as the computer monitors supplied to IBM. With such synergies, sales of PPI's computer peripheral products grew by 40 per cent in 1989. If purchasers of Akai hi-fi products in the second half of this year see the label made in Turkey embellished on the unit, it will have come from Vestel in Manisa.

The estate has meant full employment in Manisa

Vestel will supply hi-fi units to be sold under the Sansui name in Japan, alongside Sansui's own high quality equipment, while the same will happen vice-versa in Turkey with Sansui's brand name inflating the price of the Vestel surrogate. Profit margins on the domestic product are expected to reach 20-25 per cent. It is not suprising that the PPI annual report for 1989 notes that the holding company wholeheartedly supports the inclusion of acquired brands in company balance sheets.

Vestel is moving into refrigerator production with six different models. This is in addition to its mini-washing machines, and micro-wave ovens. For a long time, the domestic refrigerator market has been dominated by Arcelik, a Koc Group subsidiary, and Profilo – now they will have to pull up their technological socks. Vestel is aiming for an annual production in its first phase of 150,000 units – a 20-25 per cent market share.

Like Vestel, Raks is a modern, state-of-the-art complex with a product matching those of its competitors which include TDK, Sony and Fuji. It is the domestic market leader. Like Vestel many of its products, assembled cassettes or tape, are resold by manufacturers under their own brand labels – though Raks has penetrated the Japanese market under its own flag.

At the same time, Raks makes almost every component of its products at its Manisa plant, one of the largest audi and video tape factories in the world. It imposes strict quality control on all phases of manufacturing and assembly, from measurement tolerances to tape longevity. As a sideline, it has a high-speed audio dubbing facility, used mostly for duplicating domestic music.

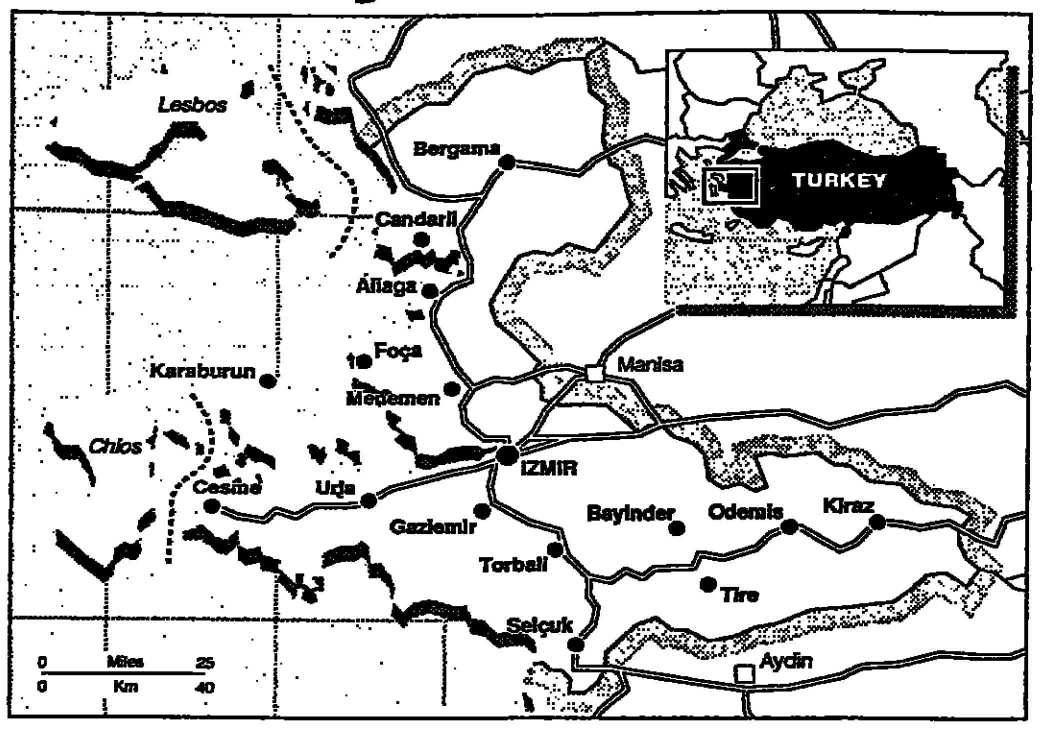
Vestel and Raks have achieved a mix suited to local conditions of high technology with labour intensive methods.

An added attraction of Manisa over Istanbul is lower wage and salary levels – monthly wages for unskilled to semi-skilled workers range between TL300,000 and TL1.5m (\$114 – \$570), depending on the industry and sector. At Vestel, for example, the average worker wage is TL500,000 (\$190).

On the other hand, with 12,000 workers the estate has meant full employment in Manisa, a town of 150,000, compared with the high under and unemployment which characterises most other urban areas in Turkey. In fact, there are likely to be severe labour shortages once the addition to the estate comes into its own. But the estate authorities are undaunted, with plans for a free trade zone to follow the second stage completion.

The tourist industry is taking stock as the number of visitors levels off, says **Jim Bodgener**

Holiday trend shifts toward higher quality



BUSINESS GUIDE

Population (1985) 2.3m
Climate
Winter ...... Average temp (centigrade) 8.5
Summer .... Average temp 27.6

Useful telephone numbers:
Istanbul Chamber of Commerce 25576
Istanbul Chamber of Industry 14430
British Vice-Consulate 211795
Main Hotels (rates at mid-June)
Buyuk Efes ($110-$160) .... tel: 144300
Etap Izmir ($88-$111) .... tel: 194090
Izmir Palas ($51-$65) .... tel: 217911
Karaca Otel ($56-$73) .... tel: 144445
Restaurants:
Park Restaurant .... tel: 193959
Yengec .... tel: 217368
Deniz .... tel: 220601

Working hours (Mon-Fri):
Banks 8.30-12.30 13.00-17.30
Official Bureaux 9.00-13.00 14.00-18.00
Business 8.00-17.00

Electricity .... 220 volts, 50 cycles
Plugs .... European two prong

International flights:
New York-Izmir (Lufthansa)
.... Single $961, return $1,936
London-Izmir (Turk Hava Yollari)
.... Single £347, return £694
Frankfurt-Izmir (Lufthansa)
.... Single DM1,197, return DM1,636

Many Turkish executives speak English. There is a fairly high incidence of people with at least a smattering of English. Knowledge of German can be very useful, and French to a lesser degree

Doing Business in Turkey, *a manual published by Istanbul Business Services and the London-based Business International, is a comprehensive background manual; Tel: Istanbul 1330345 or London 493 6711*

TOURISM DEMAND in the Aegean region has levelled off over the past two years as the comparatively undeveloped south has become more fashionable. But the numbers of visitors has not fallen away, perhaps indicating a maturity in the market, say tour operators and government officials.

"In advertisements abroad, the south is called the Turkish riviera – so naturally it has become more fashionable," says a tourism ministry official. But there are still several months of the season left.

Last year, 498,045 tourists visited the Aegean area using the ports and airports around Izmir as their points of entry – the completion of Adnan Menderes international airport in 1987 greatly increased the city's accessibility. In the period January to May this year, 128,000 people arrived, marginally more than in the same period of 1989.

The Aegean coast has been a touristic destination far longer than the south, with its famed ruins of antiquity at places such as Ephesus and Pergamum. The south is well-endowed with historical remains, but these have not been so well publicised.

Tourists to the south are overwhelmingly on package tours seeking sun, sand and sea, whereas the Aegean has a more leavened mix including individual travellers seeking something more than sunbathing and discos. The largest number of tourists by origin coming to Izmir and its environs are French, followed by Germans and then Britons. West Germans, traditionally the big spenders, now prefer the south.

However, much of the downturn this year is due to a falling away in UK tourists, by as much as 10 per cent on last year, which was down from the high intake in 1988. The cheaper Aegean coast is more popular with Britons, who in the past have not looked for such a high degree of accommodation as in the south, and have been satisfied with swimming pools rather than beaches, say travel industry sources.

As a result, hoteliers building in places such as Bodrum and Marmaris built one-star, basic accommodation. Now, however, the trend is towards a mix with the staple of young UK visitors, more affluent middle-aged people, and families, who want something better, according to Mr Umit Ulug of Anba Tur, the leading Turkish agent dealing with UK tour operators in Izmir.

Anba handles much of the British influx each year into the Aegean, through leading tour operators such as Thomson, ILG(Intasun) and Red Wing, placing their customers with around 350 establishments. He says that UK tour operators sell Aegean resorts more than those around the Gulf of Antalya in the Mediterranean.

In addition, higher mortgage rates, warmer weather and frustration at long delays in overcrowded airports have deterred many Britons, says Mr Ulug. The decline has not been compensated by an increase in Dutch and Scandinavian visitors.

However, he points out that a subsidiary of the British Airports Authority is leading a consortium building a charter airport near Bodrum, which should make Turkey far more attractive by decreasing transfer times, not to mention cutting operating costs and therefore prices.

On the other hand, the French prefer the club scene – there are two Club Mediterranée establishments on the Aegean coast, at Foca and at Kusadasi.

Some critics say prices are too high, but in the main they have increased little compared with 1989 in spite of high inflation of 64.1 per cent in the 12 months to the end of May. Tour operators and hotel owners can hold down price levels because much of their operations are conducted in foreign exchange. But at the same time, lira depreciation has lagged far behind inflation, with a consequent loss differential in local costs to add to overheads.

When depreciation was at a lucrative distance ahead of inflation, hotel owners and tour operators could carry the costs of inefficiencies in transport and accommodation. Unfortunately that also led to the image of tourism as the latest foreign exchange el Dorado, and companies piled pell mell into the sector without seriously planning or building up expertise for their projects.

The result, more prevalent on the southern Mediterranean than the Aegean littoral, was a plethora of completed or nearly finished hotels and holiday villages owned by undercapitalised companies without the funds to attract foreign know-how or the expertise in running the projects themselves.

Construction of accommodation also outstretched demand, with the result that many hotels are half empty. Today, the number of beds licensed by the Tourism Ministry in the Izmir region totals 10,000, with another 15,000 controlled and inspected by the municipalities. But 20,000 more licensed beds are under construction, indicating the scale of the problem.

"We went through a frightening period because of ugly construction," says Mr Mete Polat of Yesil Marmaris Travel Agency. Marmaris was one of the worst examples of overdevelopment and its adverse effects on the environment. But the Government has slapped a freeze on fresh planning permissions.

Another perhaps more pressing deficiency in the tourism sector is the lack of trained personnel, which has threatened to give the industry a poor image compared with longer-established rivals in the eastern Mediterranean. A pioneering scheme to fill this gap has started at Izmir's Doksan Eylul University, through which theory is mixed with practice, where only theory was taught before.

So far the numbers of students seconded out to tourism establishments are small with some 120 due next year. But in two years time, a complex doubling as a winter school and summer holiday village will be completed on the Cesme peninsula. Then the annual intake will be about 500 students annually, according to Mr Ergun Goksan, the professor running the course, and also president of the Aegean Tour Operators' Association, and owner of Egetur, travel agency.

Another problem requiring urgent remedial action is inadequate water and sewage services, which in some cases means untreated sewage fouling popular bathing beaches. Kusadasi is a case in point, being highly overdeveloped.

"We have to take action now," says Mr Goksan. "The Turkish bath is famous round the world; we don't want a reputation of being dirty Turks. We have to clean up." And that is doubly important with the imminent introduction of the single market in 1992, and the pressures both pecuniary and qualitative to spend holidays within rather than outside the European Community.

The 25 storey Hilton Hotel with Atatürk Square in foreground

These are difficult times for the tobacco companies

Brokers take merger path

TOBACCO traders in Izmir have traditionally dominated the country's exports of oriental tobacco. But the Aegean region's tobacco merchants have passed through three difficult years with the largest companies satisfied to break even in 1990.

The leading broker, Karagozolu, has formed a venture with Universal Taprak Tutun, subsidiary of the US company. But smaller companies may have to merge or go under, say executives. Other companies have hedged by diversifying away from tobacco trading.

The tobacco brokers' problems stem not from the success of anti-smoking campaigns across the globe, but domestic economic tribulations, particularly the high rate of inflation, and lower lira depreciation, says Dr Eike Kirsh, a member of one of the city's largest and longest established tobacco merchants.

There is a full year of manipulation and other processing between the purchase of the crop from growers, and delivery to overseas buyers, and the merchants have to finance this 12-month gap themselves, says Dr Kirsh.

On the other hand, the Turkish tobacco sector could benefit in the next decade from European Community regulations which aim to prevent the manufacture of black tobacco cigarettes such as the famous French Gauloise and Gitanes brands because of their their high nicotine contents.

Total cigarette sales in Turkey last year were worth TL74bn

Turkey dominates world wide production of oriental tobacco, growing far more than other countries, including Greece, Yugoslavia and Bulgaria.

About 40,000 families depend on the crop in Turkey, with yields varying from 400 kilos per dunum (a Turkish measurement equivalent to 940 square metres) on good land in plains and valleys, to 50 kilos per dunum on relatively infertile hillsides.

Not unsurprisingly, the growers form an important political constituency frequently at odds with the prices fixed by the Government.

Turkey's blonde oriental tobacco is relatively low in nicotine and tar, and is usually blended with stronger tobaccos in US and European cigarettes, in mixtures of 15 per cent and 20-25 per cent respectively.

Izmir has no bourse as such, or auction floor. Export prices are fixed according to the international markets by the Government, and the traders buy and sell to order. Haggling is about quality.

The Aegean region's normal crop is about 120,000-130,000 tonnes. The remainder of the country's total exportable output of about 180,000 tonnes comes from the Samsun region on the northern, Black Sea coast, from around Bursa and the Marmara sea.

The 1988 crop was good, but the 1989 crop is of poor quality due to the drought, though much larger in volume than usual at around 160,000 tonnes. Though the south-east grows a further 25,000-30,000 tonnes it is of inferior quality and is consumed domestically.

Attempts to grow Burley and Virginia tobaccos have met varying success and manufacturers have not yet produced tobacco that can compete viably with imports.

On the other hand, only the state alcohol and tobacco monopoly TEKEL is permitted to import raw tobacco. This may change should Philip Morris, the US company fully commit itself to the completion of a TEKEL factory at Cigli, outside Izmir, for production of its Marlboro brand.

The TEKEL factory is one of several built in the 1970s as part of a grandiose initiative that failed to turn Turkey into a world leader in cigarette production. Other cigarette multinational companies are talking to the Government about local manufacturing projects for other TEKEL factories which were not completed in the 1970s.

Philip Morris, with a total capital investment of about $200m, is aiming at consolidating its considerable share of Turkish cigarette consumption when production starts in 1993.

Total cigarette sales in Turkey last year were worth TL74bn, of which Philip Morris brands combined have a 37 per cent share, with Marlboro taking 10.8 per cent.

The company expects demand will continue rising on a trend set over the past few years of 2.5 per cent annually. As yet, the anti-smoking drive in the West has failed to make much headway, although some time this year, the Government is expected to debate a new law banning smoking in public places.

JB

The Taming of the Shrew

ARTS THEATRE, CAMBRIDGE

In an age that anathematises most of its values it always strikes me as perverse that so many such adventurous companies set their caps at the *Shrew*. But a week after New York's Delacorte Theater took the play out West in an open-air production (reviewed on this page), the Arts Theatre in Cambridge finds itself all over the place with a show that is pantomime crossed with townswomen's guild knees-up: Shakespearean banquets beforehand and on-stage party games in the interval led by a boisterous cast who are not averse to delaying the start of the second half for an impromptu autograph signing. It says something about a production when its wittiest line is the answer to the interval crack: "What do you call a Spanish male stripper?"

Other directors, from Charles Marowitz on, have taken as many liberties with this notoriously problematic play. But the point about Robin Midgley's interpretation is that it does not actually address Shakespeare's *Shrew* at all, preferring to bundle it up as a joyous romp in which, after a good deal of slapstick, everyone lives happily ever after.

True, Toyah Wilcox's Kate, whose gestures and vocal pitching have an ancestry in the props box of Victorian music hall, appears set to live more happily than her newly defiant sister and the quarrelsome widow. The kiss she exacts from Petruchio – and it is that way round – is, surprisingly, a genuinely romantic one. But the impact of her final speech of subordination, delivered as always with a tilt of the chin that mocks the contrition of her words, is somewhat undercut by the fact that the widow is a boy in drag, picking up the pantomime theme that threads its way through the show from the loud and lengthy preamble of Christopher Sly's dream.

Toyah – a blue-eyed wildcat beneath the familiar titian curtain of hair – shows signs, in the few moments when she is allowed to lower her voice and pitch, that she could make a compelling Kate. She moves well and has a sullen charisma, but she is directed without a smidgeon of subtlety so that, instead of the sexual spitfire she might have been, she becomes a steamroller who is ridden by John Labanowski's Petruchio helter-skelter across the text.

Labanowski, tall, commanding and out-and-out nice, enforces Petruchio's will with little sense of brutality: once more, production details, such as using the mealtime humiliation of the starving Kate as an opportunity for some audience participation (four teenagers dragooned into servant routines) give little leeway for exploration of character or situation.

Again, he could be good – indeed is good in his double-act with Brendan Healy's lanky, wise-cracking Grumio (a sort of down-at-heel Emcee), if only their buffoonery were confined to its proper place. The trouble with this production is that nothing is.

Claire Armitstead

CINEMA

Lessons from a vampire

Two recent experiences with vampires have turned my mind afresh to the British film industry. This week I caught the lively horror comedy *I Bought A Vampire Motorcycle*, made in Birmingham on a bean-sized budget. A little before that, I had tea with Count Dracula at the Savoy.

It was on this earlier occasion – I was probing the Count, alias Christopher Lee, about his career and his forthcoming *Gremlins 2* – that a new clarity came over the dutiful ruminations on British cinema I had been indulging in since Mrs Thatcher's recent think tank. Count Dracula, over his Savoy cup of tea, was diagnosing our ailing film industry.

"There is too much managerial amateurishness in this country," he was declaiming. "Normally hard-headed bankers, if they were looking to finance any other product, would say 'Let me see the track record of the people involved.' But when it comes to cinema, they empty their pockets all over the desk before the applicant has stopped talking. It's this attitude that has led to so many disasters and now of course there's a backlash. People's fingers were burnt after Goldcrest and today it's hard to get any money at all.

"There are two things we must do. We must make films that travel, not just little British films aimed at the British market. And we must make films that make *money!*"

This last word is thundered out with all the authority of an ex-vampire who has made more money for Britain (probably) than any other film star in our history. I agree with Lee on most counts but disagree strongly on one, or on its emphasis. Yes, we must produce movies more aggressively aimed at world audiences, and movies that ideally turn a profit. But "track records" are not an infallible guide in the film industry. Many a smash-hit has come from nowhere (*Easy Rider*) and some of the films strong in track-record appeal have collapsed two yards from the starting-block (the star-stuffed *Ishtar*).

Hammer itself had no record of conspicuous success before it struck gold with the toothsome Count in 1956. What mattered was that, having struck gold, the makers then mined that seam for all it was worth. Twenty years and a Queen's Award for Industry later, they were the success story of postwar British production. Moral for today: track records are not something to be weighed in retrospect by guidance-seeking bankers, they are something to be encouraged and developed as of now. They are not something to be built on, they are something to be built.

The missing factor in British cinema today is any sense of continuity or of the development of even modest movie traditions. Back in the 1950s and '60s, bread-and-butter film series like the Hammer horrors and the "Carry Ons" gave British production an economic base strong enough to allow more ambitious movies to fail without crippling the industry. (Studios would not close by virtue of one misbegotten blockbuster.) And in preceding decades, the Ealing comedies and Gainsborough romances performed the same service. They nurtured a British star system, from James Mason to Alec Guinness to our dear departed Margaret Lockwood. And they made "style" something subtle and evolutionary rather than minted frantically for one occasion.

Hollywood in the 1980s has found an equivalent to house-style movie-making with the sequel phenomenon. Sequels may not be high art, but Heaven knows they are hot box-office. Yet in Britain today we disdain not just the spin-off (J. Bond honorably excepted) but the very idea of serial movies. Ever since the dual success of *Chariots Of Fire* and *Gandhi*, that freak high noon of post-imperial British cinema, our film-makers have been affected by a mixture of commercial giantism and artistic superciliousness.

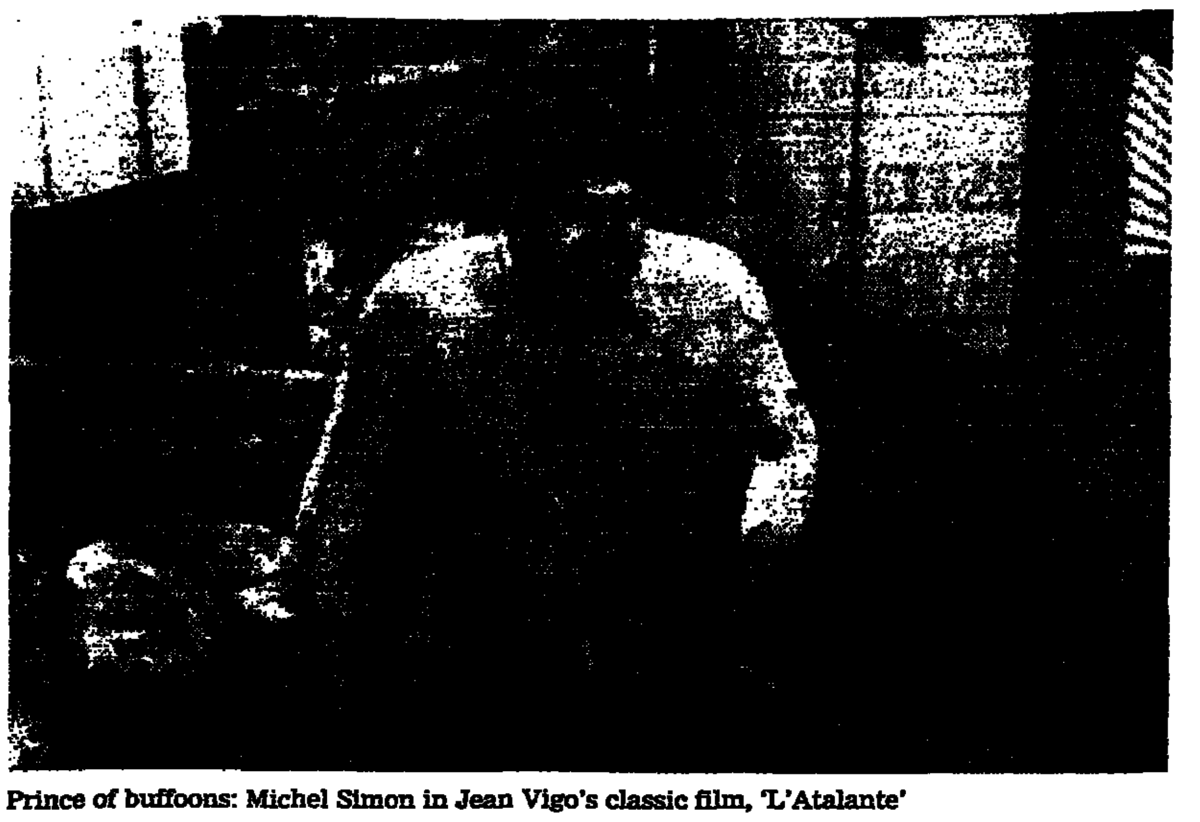
The "unique" movie is all. Copycat film-making is beneath us. So when not mortgaging the whole of Threadneedle Street to make a *Revolution* or an *Absolute Beginners*, we devote ourselves to turning out parochial little "art films" which fail to make an impact either at the box-office or (often) with critics. Sit through *Paperhouse* or *Diamond Skulls* or *Fools Of Fortune* and despair.

Production companies were encouraged to invest in such films by the flash-in-the-export-pan that occurred in mid-decade when *My Beautiful Laundrette* and *Room With A View* both hit paydirt in America. More recently *My Left Foot*, by doing wonders for Anglo-Irish pride at the Oscars (Irish makers, Anglo best actor), will no doubt mean another extension of the leasehold on lucky breaks that these islands have bought and now put all their faith in.

I Bought A Vampire Motorcycle (X, Prince Charles) is a stalwart example of the plainspun genre movie-making we should be concentrating on if the industry is not to sputter from one fortuitous *succes d'estime* to the next. Combining in one populist package the best traditions of Hammer and "Carry On" – gore and gags, dering-do and *double entendres* – its tender tale of a bloodsucking Norton Commando and its hapless owner (Neil Morrissey) fizzes along from fright to fright. Cheaply but stylishly shot, it is a ripping yarn rippingly told.

Now, if the Christopher Lee backward-gazing Track Record Philosophy held sway, the film's makers (director Dirk Campbell, writer-producers Mycal Miller and John Wolskel) might never have found funding for this movie, it being their first. But if my forward-gazing Track Record Philosophy held sway, every purse-holder in the film business should now gather around these film-makers and ensure that a "one-off" is turned into a serial success. I do not mean endless films about vampire motorcycles. I mean a nurturing of style and imagination to see if the same film-makers in the same genre can produce a seasonal re-flowering rather than another freak British bloom that dies as soon as it is born.

★



Prince of buffoons: Michel Simon in Jean Vigo's classic film, 'L'Atalante'

A different corner of British Moviedom holds its head high this week. Jean Vigo's 1934 classic *L'Atalante* (PG, Renoir) has been restored with help from our National Film Archive, which last January found they had an 89-minute print of a film hitherto known only at 81 minutes. Mad rejoicing by cinephiles on both sides of the Chunnel as shots were stuck back in, rhythms re-tuned and history re-made.

Directed by Vigo as a first feature foray after his avant-garde masterpiece *Zero De Conduite*, the movie sheds a surreal glow over its tale of two honeymooners bickering up the Seine in the bridegroom's barge. Every scene – no, every shot – has its own luminous poetry: the girl in bridal white moving along the barge's clinker-black deck, the husband seeing a "vision" of his bride underwater after she has run off into Paris, the mate's cabin chaotic with knick-knacks like an exploding emblem of the Unconscious. (They include giant fishbones and a dead friend's hands in a bottle of formaldehyde.) And of course there is the mate himself, played by that prince of buffoons, Michel Simon: France's answer to Charles Laughton, invented before anyone had even asked the question.

Also dredged up from the pickle-barrel of history, albeit more recent, is Ryszard Bugajski's *The Interrogation* from Poland. Made in 1982, this once-banned tale of political terror is set in 1952; a time when Uncle Joe stalked the Eastern Bloc and a woman cabaret singer (Krystyna Janda) could be jailed and brutally questioned in the hope that she might "name names."

Alas, we feel we have seen all this before. The crowded, rat-ridden cell; the slide into demoralisation and deshabille; the carrot-and-stick alternation of interrogators; and, inevitably, the threat of the "worst torture of all." (Finally revealed, it seems rather innocuous.) In short, this is a routine sado-masochistic binge dignified by the hindsight twitterings of glasnost and by powerhouse acting from Miss Janda (Cannes Best Actress).

John Waters's *Cry-Baby* (12, Empire) the latest camp-as-a-tentpole comedy from the director of *Hairspray*, is also set in the 1950s. But for Stalinist prisons read Eisenhowerian playgrounds. Baltimore is alive with the battle-sounds of its young. "Hepcats" confront "squares" and "drapes." And as the Romeo-Juliet syndrome rides again, singer-delinquent Cry-Baby (Johnny Depp) falls in love with beautiful rich girl Allison (Amy Locane).

More strained than usual, Waters's plot barely stretches to its allotted 93 minutes, eked out with real and pastiche '50s songs. Quirkiest ingredient is the supporting cast, which features Patty Hearst, Iggy Pop, Norman Mailer's son and best of all a Polly Bergen fast turning into Margaret Dumont as Allison's imperiously snobbish Mum.

Nigel Andrews

The Pepys Show

CITY OF LONDON FESTIVAL

So to St Mary Aldermary in Watling Street to see, after a plate of cheese at Mowbray's, a diverting play. A pretty church in the antique style – for Sir Christopher Wren was obliged to rebuild it very Gothick after the Great Fire – it lacks only the coloured glass destroyed by the German bombardment.

The players of Good Company bring a pleasing piece on Samuel Pepys to London after strolling from Lincoln, Cambridge and Canterbury. Of especial note is Pepys' own theatre-going, when a lady spitting over her shoulder struck him by mischance. Tuesday's assembly was more circumspect; in the crowd I observed Mr George Walker of Brent Walker which owns many cockpits and places of pleasure in the town, where promiscuous expectoration is not encouraged.

In truth some able players fight against the church's acoustical properties that swallow their words and blur their voices with an echo like that of the cave in *Dido and Aeneas*. (Mr Purcell's music is played during the action, as is that of Pepys himself; for though his passions were many, Euterpe was his constant mistress.)

In tranquil or melancholy moments the actors are clear; and the sorry tale of the maid Deb Willet, put out of the house by the jealousy of Mrs Pepys (beware the hot blood of the Gaul!) though pursued by her master, is very affecting. Jennifer Farnon suffers prettily, while none can blame the much-tried Elizabeth Pepys of Jenny Quayle – who even faintly resembles her likeness in St Olave Hart Street.

Peter Woodward's Pepys is more audible than some of his fellows and brings a sense of timing as dry as sack to such moments as his lament for a dead friend. "He was a good neighbour. It troubles me, it troubles me mightily, that he should die ... owing me money." Had we heard more of it, Dennis Saunders' script might have struck home in its portrayal of an age where place, honour and power were sold to the highest bidder, and where our Secretary for the Navy must fight against corruption, inefficiency and indifference. (There were dilettanti in government even then.)

"These are not honorable times," says Master Pepys of an age when profit ruled. What would he say to the witty grocer's daughter who dwells hard by Whitehall? (Though I hear there are some claim she deserve no better than the scold's bridle and the ducking stool.) And so to bed.

Martin Hoyle

Tina Turner

BIRMINGHAM NATIONAL EXHIBITION CENTRE

It's a long time since I've chanted in public. Even longer since I did it "with attitude" – black talk for "Sez you." But better men than me have bowed to Tina Turner's will, and most of them were packed into the Birmingham Arena on Tuesday night. We had been listening quite happily to "What's love got to do with it," the song in her repertoire which lifted her from being stuck as the back, defunct, end of Ike and Tina Turner into the charts and to mega-stardom. OK, there might have been a quiet sing-along at the chorus: it's only natural. But Tina was not content with private self indulgence. We all had to come out with it and to practice until we got it right, to the perfect sneer. And I did not mind a bit.

It is impossible to feel embarrassed at a Tina Turner concert. There she is, topping 50 and still prepared to shake everything that is going, in public, for two hours. She bears an uncanny resemblance to Shirley Bassey (I can't imagine who will be most insulted at the thought) in her crowd control. There is the same toss of the hairpiece as she ticks off the audience with a winking leer; the same public conspiracy that we are all a raunchy crowd of consenting adults.

And she delivers in spades. The voice may be as subtle as a chainsaw; the clothes, a grey dish cloth affair, then a dress of white barbed wire, were disappointingly drab, but rarely have front of stage rockets exploded so happily in tandem with a star; seldom as pop music as escapist fantasy worked so powerfully.

The whole show is driven by egomania but of the most generous kind. "Want some action?" she leers at the start and from then on the lady is unstoppable. Her two dancers, Annie and Lejeune, both at least half her age, quickly wilt and disappear but on she goes, with her love songs for motorway travellers, and for CD dreamers, songs suggestive ("Steamy Windows"); songs reflective ("Women of a Certain Age"); songs geographical ("Foreign Affair"). Her early work, "Nutbush City Limits;" "I can't stand the rain," may lack the layered studio gloss of the recent albums, but since she is backed with the kind of band that can wrap up anything in a professional funk they rang out true. And for those who doubt that Turner is a rock artist there was a performance of "Addicted to love" which left you totally drained.

Anyone who thinks there is something voyeuristic, even tacky, about a Tina Turner show would be quickly illusioned. It is brilliant entertainment: rarely have I seen artist, band, and audience so freely enjoying themselves. If she thinks this is her farewell tour she will need to be visited by the heavy mob.

Antony Thorncroft

Bainbridge première, Così fan tutte

CHELTENHAM MUSIC FESTIVAL

In the scorching heat of midsummer it is difficult to imagine anywhere more pleasant to hear music than Cheltenham. The festival has put together an attractive musical programme this year featuring a diverse selection of premières and although the BBC has relayed the most interesting of them on Radio 3, that is not the same thing as catching the concerts live in the cool neo-classical surroundings of the Town Hall.

On Monday the festival reached its mid-way point and the sixth of its ten major premières. The music of Simon Bainbridge has won many friends for the quickness of its imagination. There is invariably a myriad of ideas sparkling on its surface and it was that sense of a vitality that cannot be suppressed which was eventually to win through here, even if a different plan shapes this new work, a Double Concerto for Oboe and Clarinet.

The score opens in a state of near-complete stasis. A dense orchestral chord hangs long and heavy in the air; then oboe and clarinet float into earshot with a high-pitched wail and movement slowly begins, at first with gently shifting clouds of string harmonics. The music is not intended to be representational and yet it is difficult not to see in this beginning East Anglian vistas of low-lying lands and grey mists.

From there the piece inexorably gathers pace. In a pre-concert talk Bainbridge explained how the various parts of the texture move at different speeds, as a sort of cantus firmus in the solo parts or long pedals in the orchestra act as a restraining tie on each successive explosion of activity. But eventually the single movement ends the only way that is possible: the whirlpool of activity spins itself to destruction.

In comparison with other Bainbridge pieces this new Concerto seems less sparklingly clear as sound, though the acoustics of the hall will not have helped. The oboe and clarinet duo of Nicholas Daniel and Joy Farrall performed marvels of exploration at the outer reaches of their instruments' compass, while the City of London Sinfonia under Richard Hickox provided sonorities as fastidious as Debussy, as rich as Strauss.

An imaginative stroke of programme planning brought us the piquant Sinfonia Concertante for oboe, bassoon, violin and cello by Martinu as an apt companion piece. In Hickox's insistently vibrant performances, however, items from Beethoven's incidental music to *Prometheus* and his Eighth Symphony fared less well. The hall made them sound noisy and oppressive, which confirmed my feeling that I would like to hear the Bainbridge again somewhere else.

★

Anybody who expects the spa waters of Cheltenham to be sparkling is in for a disappointment. A free supply is constantly on tap at the Town Hall and a beaker full of the water leaves an unexpectedly dour, alkaline taste. Perhaps the flavour is pervasive here, for *Così fan tutte* is an opera that should bubble over with vitality, but this performance by British Youth Fesival Opera at the Everyman Theatre was often flat in equal measure.

The evening made a discouraging start. The opening oboe solo was flat and the orchestra plunged into the first vocal number with the ensemble at least a bar adrift. After that the players of the Cheltenham Festival Opera Orchestra could only gain in confidence and the musical performance proved to be generally neat and trim, even if Timothy Dean, the Music Director of the company, did not generate much dramatic sweep from the score.

As its name suggests, British Youth Festival Opera is made up of young performers. This appearance marked its change to professional status after three years as British Youth Opera and its production of *Così fan tutte* was a repeat from last season – a not wholly welcome one as far as Sarah Ashpole's trendy red-white-and-black sets and costumes are concerned, though Stefan Janski's production proceeds without eccentricities.

Its first spark of interest was generated by the entrance of a lively Despina in Bernadette Lord. That was about half way through the first act and she seemed to galvanise the two sisters into a rush of welcome spontaneity. Elaine McKrill was the tall and aristocratic Fiordiligi, a soprano who could really sing "Come scoglio;" but it was left to Debra Stuart to steal the show as a playful Dorabella, sharp in wit, incisive of voice.

Among the men there was simply a lack of personality, both in the cautious Ferrando of Philip Daggett and his stronger partner, the Guglielmo of Andrew Dale Forbes. Under the watchful eye of Charles Johnston's debonair Alfonso one rarely felt that the drama was being played for all its worth. The spa waters may be good for the constitution, but they are evidently not the potion to bring a Mozart opera buffa fizzingly to life.

Richard Fairman

ARTS GUIDE

July 13-19

EXHIBITIONS

London

The Royal Academy. The 222nd Summer Exhibition – the oldest established open submission exhibition in the world, though with only 1,206 assorted works it is somewhat smaller than usual. Daily until August 19. sponsored by the Dai-Ichi Kangyo Bank.
The Tate Gallery. On Classic Ground – a large exhibition devoted to French, Italian and Spanish art of the first 40 years of the century. It includes work by Matisse, Picasso, and Braque. Until September 2; sponsored by Reed International.

Paris

Carte musées et monuments sold in museums and metro stations enable visitors to avoid queues at 60 museums and monuments.
Centre Georges Pompidou. Andy Warhol. Some 200 works retrace the career of the multi-faceted artist who became one of the main representatives of American Pop Art and part of the Underground Culture scene. Beaubourg. Closed Tue, ends Sept 10 (42771233).
Grand Palais. Joseph Wright of Derby. Eighty paintings and 30 drawings sum up the career of the 18th century portraitist who introduced the chiaroscuro into English art. Ends July 23 (42895410).
Galerie d'Art Saint Honoré. Around a large-sized 15th century Adoration of the Magi by an anonymous artist Monika Kruch has assembled other works of religious inspiration. 267 Rue Saint Honoré (42601503), open Mon-Fri. Ends Sept 15.
Bagatelle Chateau and Trianon. Vienna 1815-1848 – the Biedermeier period. Vienna's museums have lent some 250 pieces of furniture, porcelain, paintings and objets d'art for an exhibition of the style which expressed the Austrian capital's changed mood after the turmoil of Napoleonic wars – the Biedermeier style. Bois de Boulogne. Ends August 15 (45012010).
Galerie Odermatt-Cazeau. 19th and 20th Century Masters. The exhibition begins with the impressionists and ends with an abstract Picabia. Ends July 28 (42669258).
Petit Palais. James Ensor 1860-1949. A retrospective of 100 paintings, 130 drawings and etchings brings to mind Ensor's provocative boast of "I am mad, I am stupid, I am nasty". Ends July 22 (42651273).
Grand Palais. Pre-Columbian art in Mexico (1500BC – AD1521). Some 130 exhibits from Mexico's archaeological museums bear witness to the artistic development of the ancient civilisations of the Mayas and Aztecs. Ends July 30 (42895410).

Martigny

Fondation Pierre Gianadda. Modigliani. Fifty oils, as many drawings and some sculptures form an important restrospective of the Italian-born artist living at the beginning of the century. In contrast, the rather stylised two-dimensional portraits of his friends and of Jeanne Hebuterne, his last and tragic companion, embody perfect repose. Even his nudes, voluptuous in shape and warm in colour, are reflective rather than erotic. (26/223978).

Brussels

Palais des Beaux-Arts, 23 Rue Ravenstein. Fondation Maeght Show with paintings, drawings by Miro, Giacometti, Chagall, Alechinsky, Dubuffet, Sam Francis, Hartung, Kandinsky, Ellsworth Kelly, Matta, Tapies, Calder, Bram Van Velde. Selective Affinities: Paul-Armand Gette and René Magritte.
Musée d'Ixelles. 71 Rue Jean Van Volsem. La Poetique des Peintres italiens a l'Aube du XXe Siècle.
Musée Wellington-Waterloo. Inedits sur Waterloo commemorates the 175th anniversary of the Battle of Waterloo. Daily. Ends July 31.
Hotel Communal de Schaerbeek. Peintres de la Lys: Belgian Expressionist painters. Closed Sunday. Ends July 20.

Antwerp

Rembrandt, Bugatti and Belgian Animal sculpture (1860-1930) closed Monday. Ends July 29. Hessenhuis, 53 Falconrui.

Rome

Galleria Nazionale d'Arte Moderna. Fabrizio Clerici retrospective: in a labyrinth designed by the artist and built in the gallery's workshops are drawings and paintings, which move from a group of baroque drawings of Naples to intricate metaphysical works in pastel shades. Ends Sept 16.

Florence

Palazzo Vecchio. The age of Masaccio: tying in with the reopening of the Brancacci chapel in the Church of the Carmine after a six-year restoration are 109 works by painters and sculptors who worked in Florence between 1401 and 1440. The exhibition includes frescoes, sculptures and drawings by Paolo Uccello, Beato Angelico, Gentile da Fabriano, Donatello, Brunelleschi, Ghiberti and Filippino Lippi, and four paintings by Masaccio.

Naples

Castel Sant'elmo. In the Shadow of Vesuvius: Naples through the eyes of European artists between 1400 and 1800: more than 300 oils, watercolours, prints and drawings of a city which has proved irresistible for nearly five centuries. Ends July 21.

Venice

Palazzo Ducale. Titian. This exhibition marks the 5th centenary of the painters birth and is the largest for more than 50 years. More than 70 paintings are on show, lent by American, Russian and European museums.

Bologna

Galleria d'arte Moderna. Giorgio Morandi retrospective. More than 200 works lent by Italian and foreign museums celebrating the centenary of the painter's birth. Ends Sept 2.

Mannheim

Städtische Kunsthalle, Moltkestr. 9. Emile Bernard, a painter always in the shadow of Van Gogh and Gauguin is honoured with a retrospective of 170 early paintings. Ends August 5.

Essen

Villa Huegel 15. St Petersburg around 1800. The exhibition details the developments of Russia from a great empire to a European power.

Madrid

Museo del Prado. Sanchez Coello (1531-1588). Fifty paintings by this Spanish artist who was the predecessor of Velazquez. Ends July 30.
Palacio de Velazquez. Roman Bronze Objects in Spain. The exhibits include official statuary, sculptures, toys, mining tools, medical instruments, toilet articles and a hydraulic pump. Closed Mondays.

New York

New York Public Library. More than 125 documents of the Abolitionist Movement.
Museum of Modern Art. Retrospective marking the 80th birthday of Francis Bacon.
Also, the internationally organised exhibit of Matisse's paintings and drawings from 1912 and 1913.
Metropolitan Museum of Art: The Russian Taste for French painting, representing three centuries of French masterpieces from the Hermitage and Pushkin Museums. Ends July 29

Washington

National Gallery. More than 90 prints by Edvard Munch.
Also, a major show of 112 of Jasper Johns's drawings over 35 years. Ends July 29.
Hirshhorn Museum. Paintings, drawings and sculptures from the Bay Area figurative movement of the 1950s and 1960s.

National Museum of African Art. The national tour of artistic and religious objects encompasses nine centuries of Yoruba civilisation.

Chicago

Chicago Historical Society. A House Divided - America in the Age of Lincoln. Documents, mementos and personal effects of the Great Emancipator.
Art Institute. Monet's series paintings, including Haystacks, Poplars and Rouen Cathedral, all from the 1890s. Ends August 12.

Tokyo

Teien Museum. Perfume Bottles by René Lalique.
Meguro Art Museum. Josaku Maeda. More than 100 paintings by the Japanese artist (born in 1926), who studied in Paris and whose works are all based on the Mandala.

Shoto Art Museum, Shibuya. Japonisme. Exhibition of more than 150 prints by late 19th century artists such as Whistler, Pissarro, Toulouse-Lautrec and Manet, who were influenced and inspired by Japanese crafts. Ends July 22.

Bunkamura, The Museum. 500 Years of European Art. Loan exhibition from the Pushkin Museum, Moscow, especially strong on post-impressionists, whose work was seized by the state after the revolution. Closed Thursday.

SALEROOM

Greenfield's Japanese lacquer and Garbo's art collections to be sold

Eskenazi, the London based dealer in oriental art, has pulled off one of his biggest coups by purchasing from the New York stockbroker, Charles A. Greenfield, his collection of Japanese lacquer, the best in private hands. Guiseppe Eskenazibeat off competition from Sotheby's and Christie's, to say nothing of the American museums who lusted after the collection of 140 items of lacquer from the period 1600-1900.

Eskenazi will put the group on display in London in November and expects to dispose of it for over £3m. The profit margin will be small – he is hoping to secure the rest of the Greenfield collection, which covers metalwork, netsuke and Japanese paintings and screens.

Now in his mid 80s, Greenfield has been collecting Japanese works of art for over 50 years. He prefers to allow another generation of collectors to buy them rather than hand over the group intact to a museum in the US or Japan. It is likely that at least a third of the pieces, which include a hundred items of inro as well as writing and small boxes, an incense set, and a food box, will return to Japan, where private collectors have recently developed an interest in lacquer. Three of the objects are valued at around £250,000, more than any Japanese lacquer has fetched at auction.

Sotheby's is to sell the art collection of the late Greta Garbo. More than \$20m is anticipated from the November auction in New York. The highest prices are likely to be paid for three intimate scenes by Renoir. The 20th century art includes works by van Dongen, Rouault and Pollakoff.

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Thursday July 19 1990

Housing and the ERM

A HIGHLY distorted British housing market provided a potent transmission mechanism in the 1980s for the wider failures of the Government's macro-economic policy. As Britain moves closer to entry into the exchange rate mechanism (ERM) of the European Monetary System there is a serious risk that it will do so again in the 1990s. Yet the policy debate in Whitehall is remarkably short on workable solutions. A greater sense of urgency is called for.

The diagnosis is straightforward enough. Asset price inflation in Britain in the 1980s was heavily concentrated in housing, largely reflecting the impact of financial liberalisation on a market heavily distorted by fiscal incentives for home ownership and planning controls on supply. The shift from a system whereby credit was rationed to one where home owners could suddenly release the wealth, or equity, in their homes made property a more liquid asset and raised the spending power of households. The impact of this shock on demand can be seen in the re-emergence of inflationary pressure and current account deficits.

Appetite curbed

For the moment high interest rates have curbed the propensity of private individuals to release equity from their homes, though at a high cost to the tradeable goods sector in general and small business in particular. But as John Muellbauer of Nuffield College, Oxford, points out in a new paper for the Institute of Public Policy Research, there is still a huge overhang of potential spending power which bears comparison with Germany in 1948 and parts of eastern Europe and Latin America over the past year. According to the Central Statistical Office the value of the owner-occupied housing stock in 1988 stood at £964bn. Yet despite liberalisation the related housing loans stood at only £224bn.

Already the currency markets are looking for a decline in sterling interest rates on ERM entry, on the assumption that full membership of the system will bring about a progressive move to interest rate convergence with other Community countries. With inflationary psychology unbroken by modest falls in nominal house prices this year, the Chancellor faces a difficult problem in curbing future equity withdrawal.

Debate hampered

The policy debate is severely hampered as a result of the Prime Minister's known antipathy for the removal of mortgage interest relief and political investment in the poll tax. There is also a conviction in Whitehall and Threadneedle Street that credit controls would not work. While this is almost certainly true in wholesale markets, it is more questionable where retail lending is concerned. Moves to make the rights of mortgage lenders over the borrower's property unenforceable in law where the loan exceeds 85 or 95 per cent of value might usefully reinforce prudent banking practice without necessarily involving high political costs.

But the key to housing reform must lie in eliminating the fiscal bias in the system. And Mr Muellbauer is surely right that in the long run the way to encourage a more efficient use of land and property is to return to a property tax on imputed rents from land. But such long-term proposals do not address the immediate problem with ERM entry.

Here reform, as opposed to abolition, of mortgage interest relief is relevant and not necessarily beyond the political pale. First time buyers simply do not benefit from the £7bn-worth of tax relief that now inflates the price of houses relative to incomes. The Government's reluctance to educate the electorate in this simple home truth is a signal failure of nerve. An immediate switch to the German-style practice whereby the relief is limited to 10 years would, says Muellbauer, reduce the subsidy by £4bn, equivalent to 2p off the standard rate of income tax.

But if the Prime Minister's political instincts on mortgage relief prevail, some form of capital gains tax on equity withdrawal, however distorting in the long run, may offer the only alternative. How ironic that if her economic instincts had prevailed, the ERM problem would not exist.

Change of heart on Cambodia

BETTER late than never. It has taken the United States 15 years to overcome the Vietnamphobia from which it has suffered since its defeat and withdrawal in 1975.

The announcement in Paris yesterday by Mr James Baker, US Secretary of State, that the US is now prepared to open a dialogue with the Vietnamese on how best to prevent a return of the murderous Khmer Rouge to power in Cambodia is as welcome as it is overdue. It is essential that the dialogue begins quickly, before the Khmer Rouge makes further military advances.

It would also be helpful to peace prospects in Cambodia if those US allies which have trailed along on the coat-tails of misguided State Department policy for so long were now to cure themselves quickly of their own Vietnamphobia. Britain is the most notable example.

The breakthrough on the US position came in talks between Mr Baker and Mr Eduard Shevardnadze, his Soviet counterpart. Elsewhere in Paris, a most suitable venue as it was the city in which the end of the Vietnam war was negotiated all those years ago, officials from the five permanent members of the UN Security Council were having a much harder time finding a way for the UN to take over temporary administration of Cambodia's pending elections.

Policy change

It is here that the change of US policy could and should become critical. The four warring factions are: the enfeebled Phnom Penh government of Hun Sen, installed by the Vietnamese who invaded in 1978 to topple the Khmer Rouge regime and stayed until last September; the Khmer Rouge itself, supported by China and to some extent by Thailand; and two other, weaker opposition groups under Prince Norodom Sihanouk and Son Sann, supported by the West with funds and arms, most of which find their way to the dominant Khmer Rouge. A Khmer Rouge representative, nominally appointed by the three opposition groups in coalition, occupies Cambodia's seat at the UN. By allowing him to do so, the international community affords respectability, without even the excuse of its being still in effective control of the territory, to a group which during the four years when it *was* in power was responsible for the deaths of at least 1m of the 7m Cambodian citizens.

The US policy switch gives the Phnom Penh government a chance to gain more international acceptance and the other powers involved a chance to isolate the Khmer Rouge by drawing its partners away from it. Without arms and other support from outside, the Khmer Rouge would wither. The remaining three groups could probably then agree.

US dialogue

The US dialogue with Hanoi will focus on Cambodia although logically it must later lead to a restoration of diplomatic relations and a return of Vietnam and Cambodia to the international community, with access to loans and aid. But talks alone will not be enough to resolve the Cambodia tragedy. Pressure must be exerted on China to drop the Khmer Rouge. This becomes a real possibility; until now the US's hostility to Vietnam and anyone connected with it has made it refuse to put pressure on China. But now is the time to test the argument used by the US when it renewed China's most-favoured-nation status: that when not isolated China is more open to influence on matters from human rights to foreign policy.

Japan's help can be enlisted: Japan is lifting sanctions on loans to China and, in return, is at least entitled to a hearing on the subject of the Khmer Rouge. Thailand, too, must be encouraged to stiffen its resolve and make it more difficult for the Khmer Rouge to operate from bases on Thai territory.

There is much still to do and not much time. The Cambodian government looks daily more fragile economically and militarily. Once the Khmer Rouge achieves power it will be all but impossible to dislodge. The plan for a temporary UN administration remains stuck. The US policy change is therefore only a first step, but a vital one. It should be followed up quickly.

Charles Leadbeater on a daring move which looks set to cause ripples throughout the European computer industry

Japan gets to the heart of ICL

Mr Peter Bonfield, the chief executive of ICL, the largest independent British computer manufacturer raised a chuckle from his colleagues on Tuesday night during a lecture in the House of Commons about the future of Europe's information technology industry.

"Two weeks is a long time in the information technology industry," he remarked. It was a joke for insiders; only senior executives at ICL knew what would happen in the following two weeks.

What was in store was a move which would result in a significant restructuring of the European computer industry.

For it is almost certain that Fujitsu, the largest Japanese computer group, is set to take a majority stake in ICL in the most audacious move yet by a Japanese computer group into Europe. The deal, which could be worth about £650m, would dwarf NEC'S 15 per cent stake in Bull HN in France, its joint venture with Honeywell and Bull.

Rumours that Fujitsu might take a minority stake in ICL – the two have worked together since the early 1980s – have surfaced with regularity since 1983, after the Japanese company started supplying ICL with the semiconductors which are the technological heart of the British group's mainframes.

The rumours might have prepared analysts, customers and competitors for a permanent link between the two companies. However the scale and ambition of the proposed deal is among the most daring ambitious yet in the industry.

Fujitsu's assault on the European computer market through a majority holding in ICL, Europe's most profitable computer manufacturer, would make the deal important enough. But the ramifications could spread well beyond computers into the rest of the European electronics industry.

The British computer industry will never be the same again. It is in the midst of a fundamental restructuring, in which ownership of a large section of the industry will pass into foreign hands

STC, which is ICL's parent, and Fujitsu, have wide interests in telecommunications. By cementing their relationship in computers the two companies could be laying the foundations for a more far reaching alliance in electronics.

The British computer industry, which developed the first computer during the Second World War, will never be the same again. It is in the midst of a fundamental restructuring, in which ownership of large section of the industry will pass into foreign hands.

The deal between Fujitsu and ICL, which follows Mitsubishi's purchase of Apricot's computer manufacturing division, comes as the UK software industry is in upheaval.

Hoskyns, one of the leading British computer services company's owned by the General Electric Company and Siemens of West Germany, yesterday agreed to sell a 69.5 per cent stake to Cap Gemini Sogetti, the acquisitive French software group which also has a hostile stake in the Sema Group, the Anglo-French software house formed two years ago.

A recent profits warning has cast a cloud over Logica, the UK software industry leader, while SD-Scicon's future is uncertain, with British Aerospace considering selling its 25 per cent stake.

This rash of international transactions would be capped by the deal between ICL and Fujitsu.

It could provoke a political row in the UK, with the opposition alleging that Britain's technological heritage and future was being sold out.

At the very least it will raise eyebrows at the European Commission as a signal that Japanese computer makers may be preparing to follow car manufacturers and consumer electronics groups into Europe.

The arrival of a technologically and financially powerful Japanese competitor at the heart of the European electronics industry, would provoke alarm among other computer manufacturers already grappling with sagging profits and rising research and development costs.

That alarm stems from the apparently impeccable logic of the deal. For ICL the main attraction seems to be Fujitsu's technological and financial muscle. ICL's technological agreement with Fujitsu, through which the Japanese group makes semiconductors to British designs for ICL's mainframes, has been essential to keep ICL in the mainframe business.

Senior executives believe that without it the company could not have shouldered the costs of developing new mainframe computers and would have had to merge with another computer manufacturer by the mid 1980s. Although ICL is relatively prosperous by the standards of the computer industry, assets and profits wither very fast in a high technology industry, with rapidly contracting product development cycles.

With the terms of the technology agreement up for renegotiation within the next year the subject of a more permanent link involving a Fujitsu shareholding was bound to surface.

Mr Takuma Yamamoto, the group's president confirmed in May that the company was prepared to take an equity stake if the opportunity arose.

It would make more sense for STC to sell a stake now when ICL is still profitable rather than in a year's time when it too might have been covered by the gloom enveloping the other European producers. With Fujitsu's involvement ICL would be sending a message to its European competitors that it intends to be around for the long term.

The appeal for Fujitsu seems equally obvious. It would be securing the future of an important customer. Through ICL it would gain access to an large installed customer base in the UK, particularly in the public sector, which may consume products other than mainframes.

It would also provide the group with a spring board into the single European market and other sectors such as ICL's growing business in computer systems for retailers. However on closer examination the logic of the deal is not as clear cut as it might seem.

The technological pull between the two companies is so powerful it hardly needs to be strengthened by a Fujitsu shareholding. It is most unlikely that ICL could have turned to another supplier for its semiconductors. Fujitsu's sales to ICL are worth between £100m and £150m a year. Why should it foot a bill possibly amounting to £650m to secure that level of business?

Although the technological drive behind the alliance may be powerful, the marketing logic is less compelling. The deal would give Fujitsu a strong position in the UK, but *not* in continental Europe.

ICL has established some joint ventures around Europe, but it has found it extremely difficult to break into the West German market. Fujitsu is buying into a fledgeling European distribution system, but one which is far from complete.

The deal could have drawbacks if customers, particularly in the public sector, react against purchases from a group which is majority owned by a Japanese company. Fujitsu may hope that the deal would make it a European insider. It may just as easily make ICL more of an outsider, raising doubts about the terms of ICL's participation in collaborative European research programmes.

These doubts about the benefits which would flow from a deal prompt some analysts to suggest that it may extend into other areas. The first area of wider collaboration could be in computer peripherals. ICL could provide a marketing channel and assembly site for Fujitsu printers and disc drives. The collaboration could include smaller mid range systems as well as mainframes.

But the logic might take them beyond that. One intriguing aspect is the way it could affect Fujitsu's relationship with Siemens the West German electronics group. Fujitsu supplies Siemens with super computer technology.

Siemens recently became the largest European computer group after IBM of the US, by taking over Nixdorf, the fallen star of the West German computer industry. Some analysts believe it is possible that Fujitsu could become increasingly central to the shape of the European industry, by forming a bridge between Siemens and ICL.

The other area of collaboration would be telecommunications. Fujitsu like STC has interests in undersea cables, fibre optic cabling and microwave transmission systems. A link would give both companies access to wider markets as well as sharing research and develop costs.

This could help STC, which only last month issued a profit warning. Without more financial muscle STC could face a combination of rising research and development costs and sluggish revenues. Some analysts believe that could make it a candidate for an "unbundling" takeover.

A complicating factor in any grand alliance between STC and Fujitsu founded on joint ownership of ICL is the 27 per cent stake which Northern Telecom, the Canadian telecommunications group, holds in STC.

One option might be for STC, Fujitsu and Northern Telecom to form a triangular relationship spanning the Far East, Europe and North America. Three other groups will be under pressure to respond to the deal.

First, it will present European policy makers with an awkward dilemma. ICL is an active member of European collaboration schemes such as Esprit and Eureka, which have been explicitly designed to counter Japan's strength in high-technologies. Though some US companies, such as IBM, have been admitted to these programmes, Japanese participants have so far been excluded.

The prospect of Fujitsu gaining access to them, even indirectly, would be controversial both with other European companies and with the US, which is increasingly interested in research co-operation with the EC as a way of out-flanking the Japanese.

Second, the deal, in the wake of Siemens' purchase of Nixdorf, would put other European computer manufacturers to respond, probably by seeking their own alliances. Few are in good financial health.

Olivetti recently unveiled a 40 per cent decline in first half pre-tax profits to $72m, with sharply lower earnings expected for the full year. Norsk Data, the Norwegian group last year reported a loss of £32.8m, while Group Bull of France report a net loss of FFr 267m for 1989 and Philips' computer division appears to be in disarray. An ICL deal with Fujitsu will set the clock ticking for its European competitors.

Third, the other Japanese computer groups may be stung into a reaction to one of the brashest moves a Japanese computer group has made to internationalise its operations.

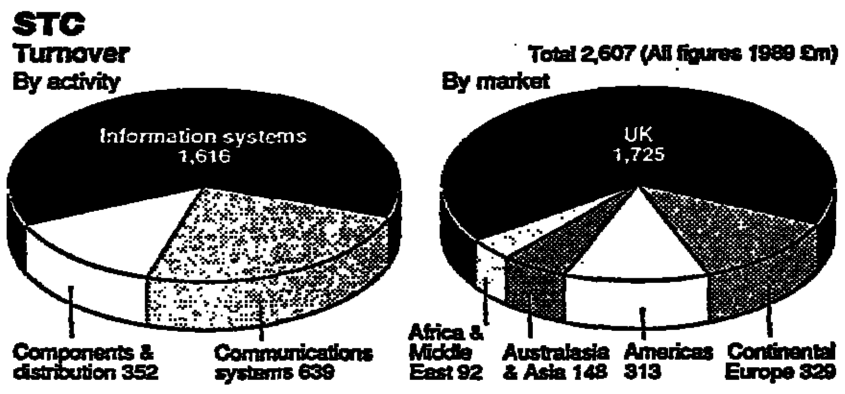
It goes well beyond NEC's link with Bull in France. Hitachi sells its mainframes through joint ventures with Olivetti, Siemens, BASF and Electronic Data Systems, the subsidiary of General Motors.

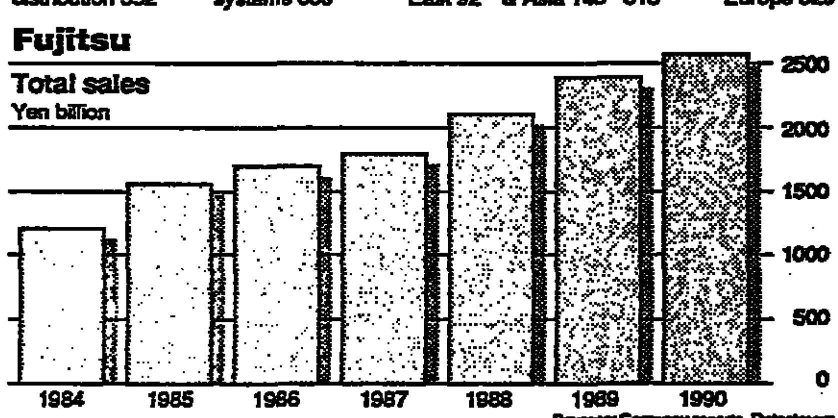
The Japanese computer industry has grown dramatically since its birth in the 1950s. Even 20 years ago they claimed no more than 1 per cent of the world computer market. This year they hold three of the top six places in the world industry.

Fujitsu's move may be a signal how much further the Japanese companies plan to go.

The 1968 ICL 40 range of small-card computers was a re-styled version of the Powers Forty machine introduced in 1950, which was based on the original 1932 Powers Four

- 1907- British Tabulating Machine Co formed, eventually to become ICT
- 1968- International Computers Ltd formed from ICT and English Electric Computers
- 1972- Geoffrey Cross appointed managing director to restore morale and profitability
- 1981- Robb Wilmot, MD, strikes technology agreement with Fujitsu
- 1984- STC buys ICL, Peter Bonfield appointed MD
- 1990- ICL launches world's most powerful mainframe based on Fujitsu's technology





Sources: Company reports, Datastream

OBSERVER

The open purse strings

■ The game that is probably the favourite of businessmen the world over has one of its annual high spots today - the start of the 119th Open Golf Championship at the Royal and Ancient Club in St Andrews. Although the Open is far from being the world's richest tournament, it still represents reasonable pay for four days work – total prize money on offer is £825,000 with £85,000 for the winner. And after an uneasy period in which it seemed that many of the top American players were willing to miss the event, this year's field contains 46 of the world's top 50 golfers.

A cursory glance through the roster of past Champions reveals nearly all of the names one would expect – Jack Nicklaus, Gary Player, Tom Watson, Tony Jacklin and from earlier days Bobby Jones and Walter Hagen. Rarely has the tournament been won by a player who has not gone to achieve other major tournament victories. But none of the modern greats have yet managed to top the six victories achieved by Harry Vardon between 1896 and 1914.

This year the homegrown Nick Faldo is, unsurprisingly the favourite at odds of 7-1, with Greg Norman next best in the odds at 9-1. But those tempted to risk a wager might consider backing the two times US Open winner Curtis Strange at odds of 16-1. After all, he does hold the course record.

The 19th hole

■ Great sporting events have now become important occasions for corporate entertainment and the Open is no exception. The Bank of Scotland, for example, has a hospitality chalet on site which treats 80 guests to lunch each day. ICI has a corner of a large marquee and has been entertaining customers at the Open for around the last ten years. Standard Life also has a marquee; the Scottish office of National Westminster Bank is entertaining customers each day.

But golf has traditionally played a more everyday role in business. Cynics long believed that the early closing hours of British banks were designed to allow branch managers to complete a full 18 holes before sundown. But the glory days when a bank manager's idea of careful accounting involved filling in his scorecard correctly may be over.

A survey of the big four High Street banks found NatWest most prepared to come clean. Managers do play golf with customers but it is "not just a Friday afternoon jaunt. It's very much a part of building the business relationship." Midland said that golf games with customers occur "far less than they used to", adding sternly that "we expect people to be doing business during the hours of business."

Lloyds admitted cautiously that bank managers "still meet customers socially in a variety of ways" but added virtuously that "they are more likely to be found in a factory than on a golfcourse." Barclays took a pragmatic approach. "Our branch managers" the bank said "will go anywhere necessary in a competitive market to pursue business." Even, perhaps, as far as the club bar.

Reds on green

■ With more than 30m people now playing golf worldwide and the numbers increasing every year, the Soviet Union is possibly the last country where turf is left unturned. As pilgrims began to gather last week at St Andrews, the shrine of so much that is sacred in the game, Robert Trent Jones, the American golf course architect, recalled some of the trauma he has suffered converting this last bastion of the faithless.

"That's a sample of the Oder-Neisse line to go with my piece of the Berlin Wall."

In 1974 he accompanied his father, one of the legends of modern course design, with the great Sovietphile, Armand Hammer on a proselytising mission to Moscow. One of the party, a red-necked developer from Oregon, challenged the generals as to whether the game would become a party perk or a game of the people.

After someone angrily retorted that everything in the Soviet Union was for the people, a retired Soviet Ambassador, who had somewhere picked up a handicap of 14, turned to Jones and said "only if I give them a tee time will golf be for the people."

Sixteen years on, half the first course remains unfinished and the builders are still chipping out of an endless string of bureaucratic bunkers. Before the Soviet leaders travelled even this far across the Rubicon towards golf, an editorial in Pravda extolled the game's popular roots. Great play was made of its origins in Scotland where shepherds once struck stones with sticks and where golf remains the birthright of the most humble man and women.

Any old iron

■ The commoners' game golf may be but it is also a remarkable growth industry, worth in the US alone nearly $25bn a year, in equipment, club fees and course construction. But Britain has recently pulled off a remarkable golf marketing coup.

Swilken, one of Britain's last independent golf club manufacturers, has just converted one of the original propellers from the QEII into 7,500 golf sets, complete with the Cunard colours on the face insert, which sell in the UK for over £1,000 and in Japan can fetch the royal sum of £6,200. So successful was the project that a second propeller is to be turned into 75,000 traditional St Andrews design hickory handled putters.

Engineers at the first World Scientific Congress of Golf in St Andrews say the properties of the manganese, aluminium and bronze alloy should be similar to those of a conventional club. If they play no better than the malleable brass clubs which John Letters of Glasgow is developing from the brass propeller of the Lusitania, they at least come with happier memories.

Quick change

■ Those who attend the Open can test out Royal Bank of Scotland's newest machine, which can convert up to 14 foreign currencies into sterling at the touch of a button. The machine can identify 36 different banknotes and provide instructions in four different languages. Appropriately enough, it was the brainchild of Don Emilio Botin, chairman of Banco Santander, and father-in-law of Spanish golf star Severiano Ballesteros.

ECONOMIC VIEWPOINT

Goodbye to those budget surpluses

By Samuel Brittan

There are always scare stories at this time of year saying that the forthcoming public spending round is going to be the toughest ever in order to deter spending ministers.

Reports this time are of excess bids from the spending departments for 1991-92 totalling some £17bn. Yet after today's Cabinet meeting there will be the usual anodyne statement that ministers will try to stick as close as possible to the original planning target.

An interesting shadow exercise by Chris Dillow in the Nomura Research Institute Quarterly Outlook, reproduced in the small table, assumes that some £9bn to £10bn of the bids will be granted.

The lion's share will of course go to stop poll taxes rising. (This is a self-inflicted blow which would have been avoided if Mrs Thatcher or her advisers had read Adam Smith – the 200th anniversary of whose death is celebrated this week – on the canons of taxation instead of the doctrines of the Adam Smith Institute). Some £3bn for poll tax relief should be disclosed today, before the full spending round.

On the other hand, a reduction of some £3bn in the Contingency Reserve is normal as each financial year is rolled forward. If a further £1bn can be shaved off defence the total increase above previous plans might be held below £7bn.

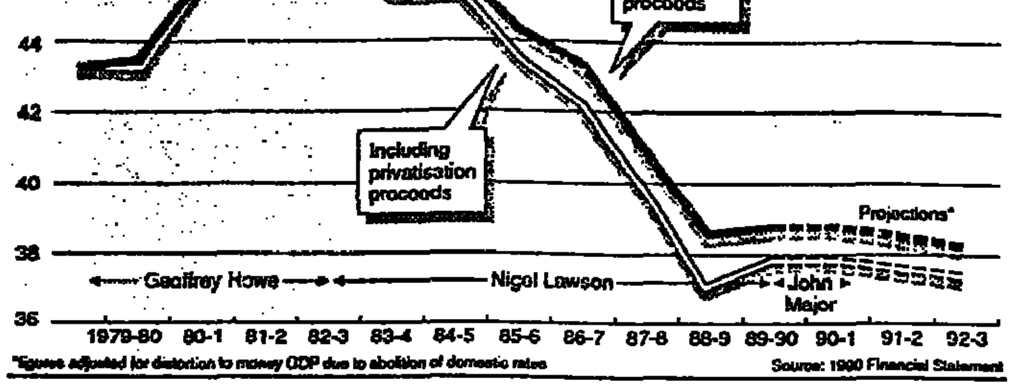
There could be a forecast revenue overshoot of the same order. Thus after all the present alarms we could easily be told this autumn, in line with time-honoured ritual, that the public spending ratio will continue to fall slightly as a proportion of GDP and that the government is on track for a budget surplus in 1991-92.

Yet a degree of disbelief would be justified if instead of looking at the crystal ball we examine the books. Public sector finances, like most other variables, move in waves.

The budget surplus, measured by the Public Sector Debt Repayment (PSDR), peaked nearly two years ago in 1988-89 at £14.5bn. The surplus in the last financial year fell to £7.9bn. Although the Treasury has projected a similar figure for the current 1990-91 financial year, the auguries for achieving it are not good.

Data for the first quarter show a Public Sector Borrowing Requirement of £6.5bn. This is the highest first quarter deficit since 1981. Only a small part of the difference from previous years can be explained by the absence of privatisation receipts so far in 1990-91. Most, but far from all, of the shortfall is due to delays in poll tax payments and related factors.

UK general government expenditure



*Figures adjusted for distortion to money GDP due to abolition of domestic rates

Source: 1990 Financial Statement

A complete flipover into Budget deficit is unlikely this year. But a drop in the surplus to below £5bn – the sum expected from privatisation – is on the cards; and it will be a struggle to avoid a deficit in election year, whenever that is.

In last week's Economic Viewpoint I rejected the international establishment view that governments should build up surpluses to add to national savings and to "take some of the load off monetary policy." Yet one does not have to go to the other extreme.

The UK Budget deficit that avoids a debt trap is something like 1 per cent of GDP – very close to the £5bn of expected annual privatisation receipts. Despite Treasury accounting conventions these do not reduce a deficit, but merely finance it. Thus zero, plus a safety margin, is the best ultimate PSBR target; and during a period of inflationary pressure it is at least sensible to run off any Budget surplus pretty slowly.

Possible revisions to 1991-92 spending plans (£bn)

TOTAL INCREASES	9.5
Local Authority Grants	3.0
Social Sec Indexation	1.5
Breaching Cash Limits	2.0
Health	1.5
Other	1.5
TOTAL REDUCTIONS	-4.0
Defence	-1.0
Contingency Reserve	-3.0
TOTAL CHANGE	5.5

Source: Nomura

Some Labour advisers have rediscovered the doctrine that it may be permissible to borrow for capital spending. Unfortunately, the line between current and capital spending cannot bear much weight, especially as most public investment brings an intangible rather than a cash return. Moreover, if one looks at net public investment after depreciation, it is about zero – a point which the same advisers like to make in other contexts.

There is a case for riding out temporary deficits in recessions; and there could be a real recession next year or soon after if the Government joins the EMS in a serious spirit (still a big if) and if British industry is sluggish in adjusting wage settlements to a strong pound.

We need to remember that recessionary influences hit public sector finances with a delay; and the present fiscal shortfall has nothing to do with them. Despite the erratic June drop, retail sales volume is still rising by 2 per cent per annum and manufacturing output is rising faster. Underlying inflation is 6.9 per cent and the Treasury has just revived upwards its inflation forecast yet again for both the headliner and the underlying rate. So the recession excuse needs to be put into cold storage. The present, or a future, Government will be best placed to ride out a real recession if it starts out from a strong position.

Just as the public sector balance has peaked, the public spending ratio – public expenditure as a percentage of GDP – has probably passed its minimum point. Its long fall came to an end in 1988-89 when it rose by a quarter of a per cent to 39 per cent. The Treasury expects it to stay at this percentage this year (after allowing for distortions to the GDP figures) before declining slightly next year and the year after. But how likely is this projection to be fulfilled with so-called "caring Conservatism" in the ascendant and the economy having to suffer below trend growth to shake inflation from the system?

There is nothing sacrosanct in a declining public spending ratio. But all experience shows that if governments do not try to cut or at least stabilise this ratio, the pressure groups rampant in modern society will cause it to rise until it eventually damages both freedom and economic efficiency. So vigilance is still required.

* * *

There are many specific ways of improving the public sector balance, which are desirable in themselves, and use the price mechanism to promote better use of resources.

One example is road pricing, which could be monitored by electronic meters in vehicles as they move into busy centres, particularly at peak hours. Such a levy would both encourage a shift to public transport (or to working at home) and provide some of the finance for extensions of public transport. Another example would be a hydrocarbon levy to cut pollution and finance energy saving.

Some far-reaching reforms in the housing market are proposed in a new paper by John Muellbauer (The Great British Housing Disaster IPPR, 18 Buckingham Gate, London SW1E 6LB). Among Muellbauer's proposals are: the restriction of mortgage interest relief to the first 10 years of borrowing; early release for development of publicly-held residential land; and the bringing back of a property tax, preferably based on underlying land values, indexed annually to local property price indices.

These measures are primarily advocated to reduce the tendency to runaway property booms which make inflation so difficult to control and worsen regional imbalances and thus unemployment. But they would also have the advantage of bringing in substantial sums of money which could be used either to cut income tax or to improve public services or a mixture of both.

It is symptomatic of the times that these price mechanism measures have been proposed in publications by IPPR, a mildly left wing think tank. But they are unfortunately no-go areas for Mrs Thatcher, whose true virtues and failings are light years away from the zealous devotion to market forces of which the "pragmatists" wrongly accuse her.

Public sector balance: first quarter (£bn)

	Excl privatisation	Incl privatisation
1987-88	-3.8	-1.4
1988-89	-1.1	+1.7
1989-90	-1.7	0
1990-91	-6.5	-6.5

Source: Treasury

LOMBARD

Why the Tories should heed the three P-words

By David Buchan

The British Conservative Party seems likely to be rocked by more Ridleyesque explosions in the coming year, as the UK and its 11 EC partners start negotiations over political and monetary union. Unless, that is, it heeds certain observations which can be classified, as George Bush would put it, under three P-words.

The Palliative: Britain is not alone in its disquiet as a united Germany approaches. It should not be panicked into thinking that all the rest of Bonn's partners are adopting the poodle-like attitude to German unity that Mr Ridley attributed to the French.

If those in Britain anxious about a united Germany throwing its political and economic weight around the Community, like Gulliver among the Lilliputians, feel they are alone in their anxieties, they may be impelled to express these feelings in Mr Ridley's idiotic way. But the latest Eurobarometer, an EC-wide poll which the European Commission publishes regularly, shows that right around the EC, support for German unity has receded as that unity has advanced.

In every single EC state, Eurobarometer found fewer people this spring who favoured German unity than did so last autumn. The drop in France (from 80 to 66 per cent) was indeed sharper than in the UK (71 to 64 per cent); even in West Germany backing for unity fell by one percentage point. Of course, some fall-off in support was inevitable. Since the heady days when the Berlin Wall was first breached last November, Bonn's EC partners have had time to count the economic and political implications of pan-Germany.

The Push: monetary union is not *ein putsch* by the Teutons, but *une poussée* by the Latins. Far from it being Mr Ridley's "German racket," monetary union has been pushed onto the EC agenda over the past two to three years by France and Italy. Anyone who was half-awake in 1987-88 will recall that it was agitation by France at the general deflationary bias of the European Monetary System and the unfair way in which it bears more heavily on weaker currencies in the system, and similar complaints from Italy, that got the Delors monetary union study started at the June 1988 summit in Hanover.

It was a close-run thing. With the Bundesbank and the Bonn finance ministry then opposed to any change in the EMS status quo, it was only Mr Hans-Dietrich Genscher who prevailed upon Chancellor Helmut Kohl to agree to the monetary union study.

It was precisely to reinforce German waverings about monetary union that the UK Treasury has pitched its two alternatives to the full Delors plan for a single currency and a single federal central bank system. The first plan, for "competing currencies," produced last November, was in effect a paean of praise to the status quo, the EMS and the way that it heaps the burden of adjustment on weaker currencies. It was clearly calculated to appeal to the Germans. It did not, because just at that point the tumbling of the Berlin Wall changed the whole political context in West Germany.

The second British attempt at a half-way house to full monetary union was this summer's Major plan for the "hard Ecu." Why hard? Because the Bundesbank has always complained about the current Ecu being soft. It did not work, because again German views about the EC have steadily changed this year. Today there are not too many German waverings about monetary union left for London to try to reinforce.

Now, of course, with Mr Karl Otto Pöhl, the Bundesbank president, setting the stiffest of conditions (institutional and economic) on monetary union and suggesting that Germany, with France and Benelux, form an inner-core monetary union, it does look a bit like a "German racket." But to pretend that this is what the Germans intended at the outset is a serious misreading of recent history.

The Paradox: the heart's desire of many Britons, including Mrs Thatcher, is for the Community to be just a properly-functioning free trade area, with a bit of co-ordinated negotiating with the outside world thrown in. But the lesson of 1992 is that for trade to be properly free of barriers and distortions, in the exchange of services as well as of goods, a certain supranational supervision and surrender of sovereignty is required.

It is not just a matter of the Commission in Brussels telling states that, in certain cases, they cannot spend their money on their own companies on their own soil, or the Court in Luxembourg staying national laws with its injunctions. A less obvious but more widespread surrender of sovereignty is the mutual recognition by EC states of each other's laws. This habit, a key factor in advancing 1992, is actually even more infringing of sovereignty than majority-voting in the Council, because it means that a state is letting operate on its soil a law, which it has not had a say in making.

Now, there is no need to go in for such sovereignty-shedding if you are happy with more limited free trade, such as that confined to goods between, say, the EC and Efta, or between Australia and New Zealand, or even, at the moment, between the US and Canada. And, of course, in managed trade, as in Europe's defence sector or in Comecon, governments cede little in sovereignty or control to any outside body.

The paradox, therefore, is that the more free trade-minded you are in wanting, like the UK Government, to see sensitive financial services liberalised, competition policy strengthened, and non-tariff barriers come down, the more you must rely on supranational supervision, or at least decisions being taken at the Community level, to get what you want.

Has 1992, achieved by these largely supranational means, been really so painful to the UK Government? It would not seem so. No EC state remains more single-minded about the single market than Britain.

LETTERS

Water charges and the polluter pays principle

From Mr Dan Elliott.

Sir, Your survey of the Water Industry (July 11) observes that as a result of new European standards for drinking water and the disposal of sewage, combined with insufficient investment in the past, the industry will be investing in excess of £24bn in repairing and improving its infrastructure over the next 10 years. In addition we are told that the Director-General of Water Services (Mr Ian Byatt) believes that customers should be given "sensible price messages" by which to make their consumption decisions.

One wonders, therefore, with the Government committing *itself* publicly to the polluter pays principle, why Mr Byatt considers that the full cost of all the changes in our water supply system should be passed through into increased water charges?

It seems clear that increased costs in the treatment and disposal of sewage should be passed through to consumers, who are in this case the polluter (with the water service companies acting as their agent). Such a conclusion, however, cannot apply to the costs of removing nitrates and pesticides from drinking water. These substances have been introduced by agricultural activity, and, in line with the stance which is now increasingly being taken on air pollution, that sector should be made to contribute to the cost of removing these substances from our drinking water.

This approach would encourage the development of farming methods which reduce nitrate and pesticide pollution. Ultimately, changed behaviour should show through in lower levels of raw water pollution and hence reduced costs to water companies.

By lumping together all the costs of cleaning drinking water and passing them on to the consumer we may be guilty of producing exactly the sort of inefficient price signals which Mr Byatt wishes to avoid.

Dan Elliott,
Senior Consultant,
PA Cambridge Economic Consultants,
62-64 Hills Road,
Cambridge

Save the Children in Africa

From Mr Nicholas Hinton.

Sir, Julian Ozanne ("15 years of ill-conceived aid," July 11) highlights some of the worst examples of large-scale development aid in Tanzania. There is no doubt that misconceived aid projects have played a part in what has been a decade of economic decline for many African countries.

But there is a real danger when talking about the challenge of development in Africa of throwing the baby out with the bath water. We should not lose sight of some real achievements: Tanzania itself has improved its adult literacy rate from 33 per cent in 1970 to 91 per cent in 1990. It should not be forgotten that during this period Tanzania bore the financial burden of ending Idi Amin's regime in Uganda.

Mr Ozanne sweepingly characterises aid workers as "lords of poverty," bankrolled by huge salaries. But he fails to draw a distinction between large-scale international donor agencies and non-governmental organisations such as Save the Children. Certainly in the case of the latter, any idea of luxury lifestyles is a myth that is far removed from reality.

The mistakes of development all too often arise from a failure to consult and involve local communities in planning and managing projects. Ensuring that projects are sustainable and bring long-term benefits means employing local people paid at rates that are realistic in the micro-economic context. Of the many thousands of Save the Children employees worldwide, only 150 are expatriates. Expatriate professionals are only employed where there is a need for specific skills and their salaries are modest.

The improvement of conditions for the mass of ordinary people in Africa continues to present an immense challenge. Meeting that challenge can only be achieved if we learn from the successes of development as well as the failures.

Nicholas Hinton,
Director General,
Save the Children,
Mary Datchelor House,
17 Grove Lane, SE5

Vice-like squeeze for those on low incomes

From Mr Michael Meacher MP.

Sir, You published two letters (July 6) criticising my article on government social security cuts. The first argues the Labour Party's hypocrisy in opposing government cuts in social security. The second denies those cuts have taken place.

Ignoring the obvious contradiction of these views, neither, in fact, holds water. It is the responsibility of the official Opposition to point out deficiencies of government policy. This does not commit it to reversing 10 years of maladministration in one stroke.

Had we been in office during those 10 years, retirement pensions – which have borne the heaviest cuts – would have continued to be linked to earnings; we are pledged to restore that link when we return to office. Surely we are not expected to act retrospectively as the Government of the 1980s?

The argument that there have been no cuts is Orwellian. It is true that social security has not declined as a percentage of gross domestic product in the Thatcher decade. But compared with 1979 there are now 1m more pensioners, almost twice as many unemployed and 60 per cent more income support recipients.

What the apparent stability in spending disguises is the extraordinary levels of cuts I itemised in my article. The price of containing the social security budget has been a vice-like squeeze on pensioners, the unemployed and all those on low incomes.

Michael Meacher,
Shadow Secretary for Social Security,
House of Commons,
Westminster, SW1

Mom and Pop's customer care

From Mr Jerrold Rosenwasser.

Sir, Who is Karen Zagor ("Changing setting for US jewellery," July 5) to dismiss an "estimated" 58,000 US jewellery stores as "small Mom-and-Pop operations."

May I suggest that most of these 58,000 stores sell an overall better class of jewellery – at more favourable pricing – to a finer selection of American consumers than does Zale, Kay or Sterling.

May I also suggest that the quoted experts, Mr Gassman and Ms Adler, should take their noses out of the book and learn to understand and appreciate a dynamic, exciting enterprise. Jewellery is made to be worn and enjoyed year-round. It is designed and sold to make the wearer "feel good."

Perhaps one of your three "experts" should visit a local Mom-and-Pop operation to experience people who care about their customers, who treat them well and live on their referrals and future purchases.

These professional jewellers feel that their clients choose their jeweller as confidently as they choose their lawyer, physician or newspaper.

Jerrold Rosenwasser,
President,
New York Jewellers and Collateral,
3 South Wabash,
Chicago

Credit where credit is due

From Mrs E. Spyropoulos.

Sir, With reference to your article on the mobile sisal decorticator ("Tanzania tries to renovate threadbare sisal industry," July 4), I would like to make a correction.

The mobile decorticator is indeed now produced by Mr Dobell but the project was originally started by my husband, Evan Spyropoulos, whose dream it was to produce such a machine after others had tried but failed to do so earlier in the century. He felt it was essential to make a change in an industry long in need of modernisation. I would like to point this out as a matter of historical accuracy and to give credit where credit is due.

Although the article mentioned "British and Asian sisal barons," it omitted the important fact that the Greeks were the backbone of the sisal industry in Tanzania prior to nationalisation.

Elizabeth Spyropoulos,
PO Box 47905,
Nairobi, Kenya

FINANCIAL TIMES
Thursday July 19 1990

KUWAIT FEARS TERRITORIAL CLAIMS

Iraq accuses neighbours in oil row

By Victor Mallet, Middle East Correspondent, in London

IRAQ yesterday raised the stakes in the war of words with its Arab neighbours over oil production, accusing Kuwait of violating the Iraqi border to steal Iraqi oil reserves and suggesting bluntly that Arab loans to Iraq should be written off.

Mr Tareq Aziz, the Iraqi Foreign Minister, attacked Kuwait and the UAE by name in a letter to the Arab League. He complained that they had deliberately undermined the Iraqi economy by producing more oil than allowed by their Opec quotas and thereby depressing oil prices.

Mr Aziz said Kuwait had stolen oil worth $2.4bn from Iraq's Rumaila oilfield near the disputed Kuwait-Iraq border during the past decade, and had built military installations on Iraqi territory in 1980 in "an act of military aggression."

In the letter, broadcast by the Iraqi media a day after President Saddam Hussein threatened to retaliate against quota breakers, Mr Aziz said: "We register before the Arab League and all Arab states Iraq's right to get back the stolen amounts... Things have developed to a level which we can no longer ignore."

Kuwait, a wealthy but vulnerable state which has long been the target of Iraqi expansionism, has reacted with dismay to the Iraqi pronouncements.

Sheikh Jaber al-Ahmad al-Sabah, the Emir of Kuwait, has despatched senior ministers to various Arab countries to gather support and is said to have put the small armed forces on alert. A special session yesterday of the interim National Assembly, an advisory body, condemned the Iraqi memorandum.

Kuwait and Saudi Arabia supported Iraq during the eight-year Gulf war against Iran with some $35bn in financial support.

Mr Aziz's demand for the loans to be converted to grants is not regarded as a particularly serious obstacle – neither country expected to get its money back anyway – but the accusations about Rumaila are seen as an attempt by Iraq to raise the diplomatic temperature and pursue its own territorial claims against Kuwait.

President Saddam, compared by many Arabs to the late Gamal Abdul Nasser of Egypt, has previously reserved his most belligerent rhetoric for Israel and Iran.

But now, while attempting to consolidate the 1988 ceasefire with Iran, he has rounded on his former Arab allies, attacking them by name in a departure from Arab diplomatic practice.

The oil markets have reacted cautiously to the latest developments.

Reports of high stocks sent prices lower early yesterday, but the rising tension between Kuwait and Iraq, together with a belief that Kuwait and the UAE will stand by their pledges to cut production, prompted a hardening of the market later.

Last night North Sea Brent crude oil for August delivery closed at $18.5 a barrel, up 20 cents from Tuesday's New York close.

UK nurse returns to London, Page 6; Commodities, Page 28

Moscow denies it will reschedule debt

By Quentin Peel in Moscow

THE SOVIET Government has no intention of increasing its foreign borrowing above a ceiling of Rbs34bn ($56.6bn), nor any plans to reschedule its debt, a top government banker announced yesterday.

At an extraordinary press conference summoned to scotch reports of any imminent debt-rescheduling, President Mikhail Gorbachev's official spokesman, and Mr Eduard Gostev, the deputy chairman of Vneshekonombank, the state foreign trade bank, insisted that the Government was intending simply to "restructure" its outstanding debt, in the face of a backlog in trade payments.

"It is understood that amelioration of the structure of existing indebtedness should be arranged by seeking new credits with longer maturities, and limiting our general external indebtedness," said Mr Arkady Maslennikov, the Soviet president's spokesman.

He was seeking to explain a casual remark by Mr Gorbachev, at the time of his recent meeting with Chancellor Helmut Kohl of West Germany, that the Soviet Union was seeking to "prolong the repayment of our debts a bit at more suitable conditions."

"It was not meant (that there would be) any interruption of debt payments and extension of the maturities (rescheduling), but searching for ways to settle the payments situation," Mr Maslennikov said. "Naturally all previously signed credit agreements will be honoured, and their conditions will not be renegotiated."

Mr Gostev, clearly battered by inquiries from international bankers over the Soviet president's remark, insisted that the Government had set a firm ceiling on its debt exposure, and was now simply seeking to improve the maturity structure with new credits.

He said the only reliable figure for Soviet debt was Rbs34bn, as quoted by Mr Nikolai Ryzhkov, the Soviet Prime Minister.

"We are trying to keep our debt in these limits," he said. "If we are doing anything we try to limit it to this amount, or at the moment, to even less."

In the immediate situation, with delayed trade payments officially estimated at some $2bn, he said: "We are trying to make it better with longer money we are trying to get in the markets."

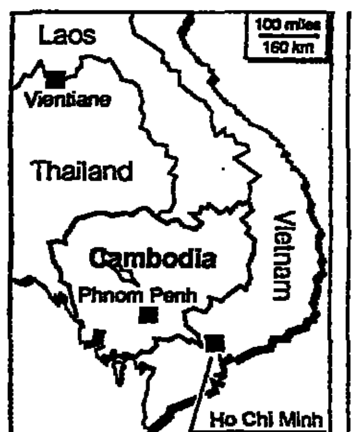
He said the DM5bn ($3bn) loan guaranteed by the West German Government would help with the payments delays, "especially for the German exporters."

He flatly denied any interpretation of the President's statement as an intention to reschedule Soviet debt. "We are talking about restructuring our debt situation, to make it much more stable."

Mr Gostev welcomed West German support for a major international programme of assistance – within the credit ceiling agreed. This would allow the Soviet Union to repay shorter-term borrowing.

However, he warned against any borrowing for immediate consumer goods purchases, as favoured by some Soviet economists, to restore consumer confidence in the reform process. "In spite of a very big demand for imports, we should be very careful and not increase them for anything like toothpaste."

NZ to buy Soviet vodka, Page 3



US to open talks with Vietnamese

Continued from Page 1

bodians were killed or died of starvation, was "extraordinarily tragic," the US Secretary of State said.

But that judgment has not prevented the US from giving both overt and covert aid to the two non-communist factions allied to the Khmer Rouge in its fight against the Vietnamese-backed government in Phnom Penh.

Mr Baker stressed that the change in US policy would not affect Washington's support to the non-communist resistance groups of Prince Norodom Sihanouk and Son Sann.

Mr Baker also said yesterday that the US was prepared to review its recognition of Cambodia's seat at the United Nations, currently held by the three-party coalition dominated by the Khmer Rouge.

The United Nations has allocated a seat in the General Assembly each year to the coalition and denied formal recognition to the Government led by Prime Minister Hun Sen.

The change of US policy came as representatives of the five permanent members of the United Nations Security Council also meeting in Paris announced they had agreed a peace plan for Cambodia. The plan, which will be released later, includes a UN-monitored ceasefire and caretaker administration before elections.

Xu Dunxin, the Chinese Deputy Foreign Minister, said in Paris yesterday before Mr Baker's announcement, that Peking would continue to aid the guerrilla coalition until the international community had established that all Vietnamese troops had left Cambodia.

Kenya faces aid reduction over detention of political protesters

By Julian Ozanne in Nairobi

FOREIGN DONORS who have poured billions of dollars of concessional money into Kenya because of its image of stability and democracy are threatening to cut off aid unless President Daniel arap Moi makes political reforms and releases recently detained government critics.

Such a cut in aid would severely damage the Kenyan economy, which last year depended on about $1.1bn of foreign assistance to bridge a huge financing gap. More external aid will be needed next year to meet the current account deficit, increase foreign reserves and pay off debt.

The strongest warning, issued by the Nordic group of five countries, says that unless the Government releases or charges more than 20 political detainees, between $80m and $100m of development assistance may be axed.

"If the Kenyan Government takes one more step in the wrong direction, the guillotine will fall immediately," Mr Erik Fil, Denmark's ambassador to Kenya, said yesterday. "And, if they do not release the detainees within two weeks, there will be some action from us."

Denmark, the largest Nordic donor to Kenya, has pledged $35m for 1990-91.

The Nordic statement follows warnings issued by US Congressmen that aid could be frozen unless significant steps are taken to respect human rights and improve the political system.

Mr Clairborne Pell, chairman of the Senate Foreign Relations Committee, has called for the US-Kenya relationship to be reassessed. In the House of Representatives, the Foreign Affairs Africa Subcommittee is also reported to be considering freezing $13m of unspent military and economic aid pledged for this year.

While other countries have not gone as far as threatening to cut back aid, Britain and Canada have both expressed concern about the Government's heavy-handed treatment of the pro-democracy movement.

On Monday, Mrs Sally Kosgei, Kenya's Ambassador to Britain, was summoned to the Foreign Office and told of London's anxieties about the situation in Kenya. The Foreign Office also urged the early release of detainees.

British diplomats in Nairobi said yesterday that a cut in aid was not being considered but they denied reports in the Government-owned Kenya Times that Sir John Johnson, High Commissioner, had said on Tuesday that Britain was considering increasing her aid to Kenya. The Kenyan Government has responded to threats about cuts in aid by criticising "western intervention in Kenya's internal affairs."

Several Kenyan government ministers have also called for the expulsion of the US ambassador who has been the most outspoken western diplomat on human rights and democracy.

Mr Joseph Kamotho, Minister of Transport, described the ambassador as "a disgrace to the diplomatic community" and said he was "clearly working hand-in-hand with people trying to overthrow the Government."

Without large flows of foreign assistance Kenya would be hard pressed to meet its import bill and a growth target of 5 per cent a year to keep pace with population growth of about 3.8 per cent.

But cutting aid is easier said than done. Much western assistance is committed to long-term projects in health and education and for many big donors aid is closely tied with commercial trade.

Brussels plans to lift insurance restrictions within EC

By Tim Dickson in Brussels

AMBITIOUS PLANS to open the European Community's highly protected market in non-life insurance were formally tabled by the European Commission yesterday.

The proposed directive is designed to widen consumer choice and cut premiums in a market worth hundreds of billions of Ecus a year. It seems certain to arouse fierce resistance in such countries as Belgium and West Germany, but will be championed by the UK.

Foreshadowed last November in a keynote speech by Sir Leon Brittan, the EC's financial services commissioner and competition commissioner, its effect will be to allow any insurance company established within the Community to supply all types of insurance, other than life insurance, in another member state and to set up branches based on "home" country control.

Sir Leon said yesterday: "Until now the companies selling non-life insurance have had to obtain authorisation from each member state before they could operate there, and they have had to follow national rules on the types of contract they could offer.

"In effect, therefore, there have been 12 separate markets for non-life insurance, which has cramped competition, pushed up prices and reduced consumer choice."

While stressing the financial benefits which would flow from adoption of the new directive by member states, the Commission was careful to emphasise the consumer safeguards which it has built in to its proposals.

Thus, rules on insurance company accounts being negotiated separately by member states and existing solvency margin requirements will be supplemented by a list of recognised assets which can be used to cover companies' technical reserves.

Brussels is determined to curb those national restrictions which require insurance companies to invest in particular types of investments and rules on matching the currencies of the investment with the currencies of the risk have been amended.

Another controversial suggestion is the outlawing of prior vetting of contracts by national authorities, and of government control of premium scales.

However, member states will retain the power to require notification of policies relating to compulsory insurance (such as medical insurance) to ensure that they correspond to the obligations imposed by the government. Special conditions can also be laid down where considerations of "the general good" come into play.

A Commission official cited as one example the ban on kidnap insurance which applies in some countries.

A member state, moreover, will be able to insist that its own contract law should apply for so called "mass risks" on its own territory – that is, for individuals.

Sir Leon said he hoped to unveil the parallel directive on life insurance by the end of the year.

Hong Kong dilutes planned Bill of Rights

By John Elliott in Hong Kong

HONG KONG has watered down its proposed Bill of Rights, which implements international conventions on civil and political liberties and is intended to sustain basic rights after the colony reverts to Chinese sovereignty in 1997.

A draft of the Bill, published last night, allows Hong Kong's legislative council to continue, for an unstated number of years, to operate local laws which breach the Bill's detailed provisions on issues such as privacy and the presumption of innocence for alleged criminals.

This is an open-ended concession to special interest groups and is a significant softening.

The first draft included a two-year freeze on the introduction of the Bill, to allow time for laws to be brought into line. Now there is to be an initial one-year general freeze.

On top of this, the colony's legislative council will draw up a schedule of laws which will remain exempt and will decide on how long the exemption should last.

One candidate would be the statute governing Hong Kong's Independent Commission Against Corruption (ICAC). This infringes international rights by presuming a government official accused of corruption is guilty unless proven innocent. It also allows the ICAC to carry out searches and personal investigations without court orders.

The ICAC originally asked to be fully exempt from the entire Bill but, in the face of public opposition, it has dropped this claim.

Instead it is negotiating with the Government on compromise arrangements.

The Government has decided not to take any action to protect local customs in the colony's New Territories, where some property is inherited only through the male line. Although this could infringe rights to sexual equality, the Government aims to leave a decision on such a sensitive social issue to the courts.

Following strong pressure from businessmen, the Government is also deferring the application of privacy rights in the private sector until it has introduced a series of laws governing issues such as data protection and freedom of information.

Steps have already been taken to bring some laws into line with the Bill. The legislative council decided last week to legalise homosexual acts between consenting male adults, and a bill has been published banning judicial corporal punishment.

But the Government is not planning to abolish the death penalty, even though no one has been executed since 1966.

Yesterday's draft was prepared after four months of public consultation. It will be gazetted tomorrow, and presented to the legislative council next Wednesday and is expected to become law by the end of the year.

The Government has been unable to entrench the Bill and make it supreme over all other laws, partly because China has insisted on supremacy for its Basic Law.

China does not recognise or operate the international conventions. It has included them in the Basic Law, but has objected to them being enshrined in detail in the Bill.

THE LEX COLUMN

The chips are down at STC

The finer details of Fujitsu's impending deal with STC over ICL are hard for outsiders to guess at. But the likely questions for the City of London are relatively easy to state. Is Fujitsu insistent on having majority control of ICL, the biggest single asset of one of the UK's largest manufacturers? And if so, at what price? A strong case can be made for the industrial logic of a closer link between Fujitsu the chipmaker and ICL the main-frame producer; though it must be said that the benefits of computer industry partnerships like Unisys and Nixdorf/Siemens are far from proven yet. The STC/Fujitsu deal is not without recent parallels, such as GEC's hiving-off of power engineering into GEC/Alsthom. But it will be breaking new ground for the City if a giant Japanese company ends up as more than 50 per cent owner of ICL, accounting as ICL does for considerably more than half STC's £1.4bn market worth.

In the very short term, firm reports of a deal for Fujitsu to take a chunk of ICL can only be good for STC's shares. Since the crisis of 1985, STC's record has been generally very good, with dividends compounding up at 35 per cent per annum in the last four years. But with tax and capital expenditure bills climbing steeply, even before the recent slow-down in British Telecom orders STC's cash flow had been weakening. Group-wide R&D spending is nearing £300m annually, the lion's share of it in ICL. With IBM now staging a comeback, it was becoming increasingly clear that a deal with Fujitsu was essential for ICL to stay in the game.

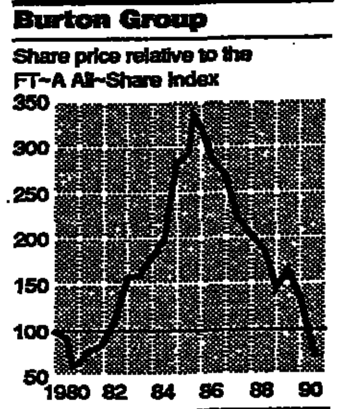
But other issues arise. STC's shareholders may find themselves serving as guinea-pigs for a new wave of investments by Japanese manufacturers seeking majority stakes in bits of quoted UK plc. One trusts that the institutions will keep a close eye on this situation to protect UK shareholders' rights.

Markets

It was Mr Greenspan's bad luck yesterday to find himself delivering his Senate testimony on the same day as a poor set of US inflation figures. His principal task was to argue that last week's cut in interest rates did not represent laxity of policy; but with the inflation figures in front of them, the bond, equity and currency markets all disagreed and went lower.

Burton Group

Share price relative to the FT-A All-Share Index



The markets are coming to suspect that a political deal is afoot between the Fed and the White House: that last week's easing was in exchange for Mr Bush's about-turn on taxes; and that further easing may depend on a budget deal being voted through before the autumn recess. But that aside, Mr Greenspan's remarks yesterday had the perverse effect of leaving the markets again unsure of whether to be more worried about inflation or recession.

Perhaps the Fed's revisions of this year's growth and inflation forecasts yesterday – downwards and upwards respectively – could be taken to point to simple stagflation. Either way, it is hard to see why the US bond market should go better on yesterday's showing. And Wall Street, still under fire from poor second quarter corporate results, can scarcely make headway on its own.

Burton

The latest turn of events at Burton is distinctly perplexing. The sale of the financial services business is as expected; the proposed withdrawal from property development is not. Burton's property entanglements have been a principal reason for the recent weakness in the share price; but it is not immediately obvious that having got into development at the top of the market, the answer is to get out at the bottom.

Granted, the about-turn has much to be said for it in principle. The property inflation of the late 1980s convinced most of Britain's retailers – and brewers too, for that matter – of their genius as property tycoons. The more that follow Burton's example in reverting to their original business the better. But the immediate question is why Burton should not hang on for the upturn. Granted, that would be costly in terms of the profit and loss account; but the hit on the balance sheet caused by immediate sale can scarcely be less severe.

Given the practical difficulty of selling major retail developments in the present market, it may be that Burton is simply indulging in a sophisticated piece of investor relations. Talk of further asset sales is an excellent way of reminding the market of the underpinning for the 11.3 per cent yield on Burton's shares. It seems clear that the price will jump today from yesterday's close of 109p. But the market should remind itself that the underlying pressures at Burton remain slightly obscure; and that reverting to pure retailing is no longer a very comfortable option either.

Hoskyns

In an industry dominated by scientific boffins, Hoskyns has always stood out as a company run by financially astute businessmen. It came to the market at the end of 1986 with a price tag of £46m; was sold to Plessey 19 months later for £164m, and a minority of its shares were then refloated just over a year ago. Now Cap Gemini Sogeti has bought majority control in a deal valuing the company at £286m and is offering minority shareholders a tempting deal to remain locked in. It is one of the rare cases when they should think seriously about accepting.

The current 330p per share offer values Hoskyns at around 25 times prospective earnings. This is not particularly generous given the exit multiples being paid for less attractive computer services companies. But then it will be lucky to report more than 10 per cent earnings growth in the current year. Hoskyns shareholders have to choose between accepting this offer, or a minimum of 469p in 2½ years time and a maximum of 600p. Given the downturn in the industry 469p looks a more reasonable bet, but it is still the equivalent of an annual yield of close to 15 per cent. This compares with a comparable gilt yield of 12.4 per cent. There is no bank guarantee assuring that the return will be there by 1993, but CGS has a good track record. Hoskyns shares should be valued more like put options with no call.

WORLDWIDE WEATHER

		°C	°F			°C	°F			°C	°F			°C	°F			°C	°F
Ajaccio	S	27	81	Berlin	C	20	68	Caracas	C	29	84	Faro	S	29	84	Islamabad	C	32	90
Algiers	S	31	88	Biarritz	S	23	75	Casablanca	S	26	79	Florence	F	25	77	Istanbul	S	27	81
Amsterdam	C	17	63	Bombay	F	28	84	Chicago	S	22	72	Frankfurt	C	17	63	Jakarta	F	32	90
Athens	S	33	93	Bordeaux	S	27	82	Cologne	C	15	59	Geneva	S	23	75	Jersey	S	25	77
Bahrain	S	36	97	Boulogne	F	22	73	Copenhagen	C	21	70	Gibraltar	S	27	81	Johannesburg	S	17	64
Bangkok	F	33	93	Brussels	F	18	66	Corfu	S	29	84	Glasgow	S	23	75	Lima	C	17	64
Barcelona	S	27	81	Budapest	C	22	73	Dallas	C	22	73	Helsinki	F	17	63	Lisbon	S	31	88
Beirut	–	–	–	Buenos Aires	R	11	52	Dublin	S	22	73	Hong Kong	S	29	84	London	S	25	77
Belfast	S	22	73	Cairo	S	33	93	Dubrovnik	S	27	82	Innsbruck	S	22	72	Los Angeles	S	20	68
Belgrade	S	22	73	Cape Town	C	12	54	Edinburgh	S	17	64	Inverness	F	18	66	Luxembourg	C	15	59

		°C	°F			°C	°F			°C	°F			°C	°F			°C	°F
Madeira	S	25	77	Milan	S	26	79	Nicosia	S	32	90	Salzburg	C	17	64	Tenerife	S	25	77
Madrid	S	32	91	Montreal	S	23	75	Oporto	S	32	91	San Francisco	C	15	59	Tokyo	S	32	91
Majorca	S	30	86	Moscow	F	22	73	Oslo	S	23	75	Seoul	C	25	77	Toronto	S	22	72
Malaga	S	31	88	Munich	F	20	68	Paris	S	22	72	Singapore	S	29	84	Tunis	S	31	88
Malta	S	32	90	Nairobi	–	–	–	Peking	C	25	77	Stockholm	R	13	57	Valencia	S	31	88
Manchester	S	25	77	Naples	S	27	81	Prague	C	17	63	Strasbourg	S	21	70	Venice	F	23	75
Manila	C	32	90	Nassau	C	30	86	Reykjavik	R	13	57	Sydney	F	20	68	Vienna	C	18	66
Melbourne	C	12	55	New Delhi	S	33	93	Rhodes	S	27	82	Taipei	C	36	97	Warsaw	R	17	63
Mexico City	C	25	77	New York	S	27	81	Rio de Janeiro	C	28	82	Tangier	S	32	90	Washington	S	22	73
Miami	S	27	81	Nice	C	25	77	Rome	S	27	82	Tel Aviv	S	30	86	Zurich	S	21	70

Temperatures at midday yesterday C–Cloudy Dr–Drizzle F–Fair Fg–Fog H–Hail R–Rain S–Sunny Sl–Sleet Sn–Snow T–Thunder

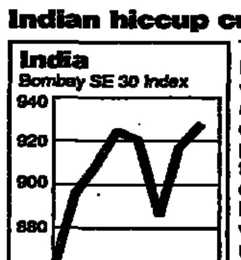
FINANCIAL TIMES
COMPANIES & MARKETS
Thursday July 19 1990

INSIDE

ABB in Portuguese joint venture

Asea Brown Boveri, the Swiss-Swedish construction and engineering group, is linking with the Portuguese state holding company, IPE, and the country's largest manufacturer of power generation equipment, Mague, to form a joint venture that will have an estimated annual turnover of Esc 31bn ($210m). Page 19

Indian hiccup cured

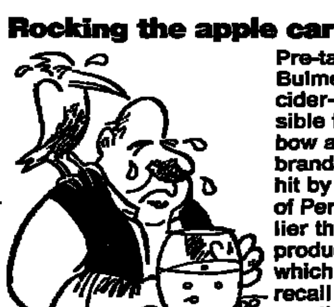


The Bombay Stock Exchange experienced a violent hiccup this week, as its 30-share index dived by nearly 34 points on Monday and then more than recovered to reach a new high yesterday. The fall was in response to the unpopular appointment of the son of Deputy Prime Minister Devi Lal as the chief minister for the northern state of Haryana. The political crisis was quickly defused when Mr Lal's son resigned. Back Page

Strong Canadian dollar hits forest groups

Three of Canada's leading forest products companies, Abitibi-Price, MacMillan Bloedel and Canadian Pacific Forest Products, have suffered from weak pulp and paper markets, extra costs and the strong Canadian dollar. Abitibi, one of the world's largest newsprint makers, incurred a C$3.7m (US$3.2m) loss in the second quarter, while earnings at Macblo and CP Forest tumbled by 56 per cent and 91 per cent respectively. Page 19

Rocking the apple cart



Pre-tax profits at HP Bulmer, the UK cider-maker responsible for the Strongbow and Woodpecker brands, have been hit by the withdrawal of Perrier water earlier this year and production problems which led to the recall of the group's one-litre cider bottles. Yesterday, the group reported profits of £12m ($21.74m) before tax – 14 per cent higher than a year earlier, but cut by about £1m because of the problems. Page 23

First Leisure to raise £30.7m

First Leisure of the UK surprised shareholders yesterday by announcing a one for eight rights issue to raise £30.7m ($55.63m). John Conlan, chief executive of the ten-pin bowling, discos, and entertainments group, denied plans for a large acquisition but said the cash would allow the group to "cherry pick" from the current shake-out in the leisure industry. First Leisure, itself, appears to have shrugged off the difficult conditions. Yesterday, it unveiled a 22.6 per cent rise in interim pre-tax profits. Page 22

Market Statistics

Companies in this section

Chief price changes yesterday

FRANKFURT (DM)

Rises			
Allianz AG	3075	+	152
Hapag Lloyd	455	+	40
Industriekredit	327	+	25
Mannheimer Vers	1080	+	78
Rosenthal	405	+	17
Vereis-West	455	+	28

NEW YORK ($)

Rises			
Xerox	47⅞	+	1⅛
Falls			
Eli Lilly	85	–	3⅞
MCI Comms	36½	–	1⅞
Polaroid	36⅛	–	3⅛
United Telecomm	27¼	–	1⅞
Whitman	26⅛	–	⅞

PARIS (FFr)

Rises			
Bancaire Cie	590	+	25
Cetelem	558	+	14
Cred Lyonn (CI)	820	+	19
Epeda-Bertrand	1233	+	52
Soc.Gen.de.Fr	575	+	15
Falls			
Industrielle	7000	–	500

TOKYO (Yen)

Rises			
Jujo Paper	970	+	100
Kyodo Shiryo	940	+	100
Lead	1690	+	190
Falls			
Ensuiko Sugar	1290	–	90
Koyo Iron Wks	1700	–	140
Teikoku Sen-I	2880	–	320

LONDON (Pence)

Rises			
AdmiralComp.	233	+	8
Carlton Comms.	430	+	10
First Leisure	221	+	6
Hawker Sidd.	568	+	4
Hoskyns	355	+	60
Logica	203	+	15
Oxford Inst.	320	+	16
Proteus	130	+	22
Vickers	241	+	5
Falls			
BAT Inds.	633	–	9
Brit. Telecom	302	–	7
Cable & Wire.	550	–	8
IOM Stm. Pkt.	107	–	17
Lucas Inds.	156	–	4
Marks & Sp.	240	–	6
Reuters	1265	–	17
Sema	610	–	20
Sun Life	1178	–	22
Willis Faber	231	–	7

CGS to buy 69.5% of Hoskyns

By Charles Leadbeater, Industrial Editor

CAP Gemini Sogeti, the acquisitive French computer software house, yesterday won the auction for control of Hoskyns, the UK's leading computer services group.

CGS is to pay £199m ($363m) for a 69.5 per cent stake in Hoskyns, valuing the whole company at £286m. As UK Takeover Panel rules require, it is offering the same price, 330p, for the balance of the shares, a 35p premium on Tuesday's closing price of 295p. However, to encourage shareholders not to sell, it is promising a minimum price of 469p in a second offer in 1993. After the announcement, Hoskyns' shares rose, ending the day at 355p.

Last year, Hoskyns posted revenues of £198m, up 72 per cent on the year before. Pre-tax profits were £15.2m, an increase of 60 per cent on 1988.

The deal will confirm CGS's position as Europe's leading computer systems house. It comes two days after CGS's most ambitious move so far into the West German market, through the purchase of the West German subsidiary of SD-Scicon, another British software house.

CGS's acquisition of Hoskyns may relieve pressure on the Sema Group, the Anglo-French software house in which it holds a hostile 23 per cent stake.

CGS said yesterday it had no immediate plans to dispose of the Sema stake. It added, however, that after the acquisition of Hoskyns it would not need to strengthen further its position in the UK market, until now its main weak point in Europe. The company said it was planning a period of consolidation to allow it to digest the two acquisitions.

The deal marks a further internationalisation of the ownership of the British computer services industry, following AT&T's purchase last year of Istel from the Rover car group.

CGS is buying the stake in Hoskyns which General Electric Company and Siemens of West Germany acquired through their joint takeover last year of Plessey, the UK electronics group. Plessey had bought Hoskyns for £164m in 1988.

The informal auction of the stake prompted inquiries from several US regional telephone companies, from British Telecom and from Electronic Data Systems, the General Motors subsidiary.

CGS was judged to be an unlikely winner because it was thought the overlap of its activities with those of Hoskyns might lead to management tensions.

However, it appears the deal will satisfy most of the Hoskyns' management's conditions for a successful deal.

First casualty in the Paris shake out

William Dawkins explains why Tuffier was yesterday forced to file for bankruptcy

The French stockmarket yesterday experienced the first big collapse since stockbrokers' fixed commissions were abandoned last July. And pessimists fear more casualties are on their way.

The stockbroking arm of Tuffier et Associés, one of France's largest independent securities firms and the personal empire of the colourful yachting enthusiast Mr Thierry Tuffier for the past 21 years, yesterday decided to file for bankruptcy. It had failed to find a backer to provide the FFr200m ($36.4m) needed to cover its losses.

Nobody was very surprised – the CAC40 stock market index even rose a fraction of a point – since Mr Tuffier has been under a cloud for several months. But the bankruptcy is a sign of the extent to which the Paris stock market is becoming the preserve of brokers owned by powerful banks and security houses. These have led a ferocious commission-cutting war over the past year.

Tuffier's collapse could also be a warning of a shake-out of the same kind as those in New York in the mid-1970s and London in the late 1980s, following deregulation of their stock markets.

"The market is simply overbroked. Margins, at least on domestic French business, are very thin," says Mr David Finch, head of equities at DLP James Capel, the new name for one of the four Paris brokers to have been bought by British security houses in the past two years.

He estimates that the entire Paris market was generating commission income of only FFr1.5m per day last month; meagre pickings to share between the 44 active firms. Volumes have fallen steadily since the 1987 crash to around FFr2.5bn on an average day, as against FFr3bn pre-crash.

The immediate cause of Tuffier's capsize was its announcement last week that it planned to cut 100 jobs, a third of its staff.

This followed losses of FFr62m in the first five months of this year.

From that point, the market "lost faith in our ability to survive," says Mr Tuffier. Then last Friday came suspension by the Conseil des Bourses de Valeurs, the stock exchange regulators. The final blow was the refusal on Tuesday of Banques Populaires – the retail banking group which is Tuffier's largest outside shareholder – to bail out the firm unless it first went bankrupt.

To some extent, Tuffier courted disaster by stubbornly maintaining its independence as an all-purpose securities firm at a time when the big international houses were sweeping up the volume end of the market.

The pressures that led to Tuffier's collapse have their roots five years ago, when it emerged among the top dozen players in a French stock market that was just starting to become of significant interest to international investors. The surge in volume and prices of the time shook up what had been a cosy fraternity, made up of small partnerships trading with the 45 broking licenses originally distributed by Napoleon to his supporters in the early 19th century.

The top firms made enormous profits until the 1987 crash, which coincided with the previous right wing government's reform allowing outside investors to come into French stockbrokers for the first time. Few publish figures, but Tuffier, which has a secondary market listing, reported a FFr40m profit in 1987. Some responded to the tougher environment by selling out to French banks, which now own 18 firms. Another 12 went to mainly British, US, Dutch and Belgian buyers, including SG Warburg, Morgan Guaranty, NMB Bank and Banque Bruxelles Lambert. Some of these mergers, foreign and French alike, have had problems too, mainly due to the clash of cultures between bankers and the securities world – but they have at least had the capital to cope.

Remaining brokers kept varying degrees of autonomy, either by selling minority stakes to bank partners, like Tuffier, which is 12.45 per cent owned by Banques Populaires, or maintaining total independence. It is this last category, embracing six brokers, in which analysts expect to find any future casualties.

Mr Alain Boscher, president of Boscher, one of the best known of the small independents says however: "The risks are exactly the same, whatever your size. One might say the bank-owned firms run the risk of having a management that might be more lax."

Even by the standards of other independents, Tuffier is a special case. It is an example of Tuffier's swashbuckling style that it floated 15 per cent of its shares onto Paris' second market right in the middle of the 1987 crash – just when most of its competitors were leaping into the arms of the nearest friendly bank. Since then, Tuffier has remained the only French stockbroker to have opened its capital to the public.

Its nearest independent equivalent in size, has followed a revealingly different strategy, staying aloof from the price-cutting war that has destroyed Tuffier. With the splendid name of Fauchier-Magnan Durant des Aulnois, it has kept a niche as the private broker for rich aristocrats.

Another effect of the arrival of the big foreign players has been to remove a large chunk of locally-owned brokers' international business. Formerly, UK groups SG Warburg, James Capel, National Westminster and Barclays de Zoete Wedd would buy French shares through a Paris broker. Now, however, they all own French firms, and that business has gone in-house.

At the same time, the investment required by French stockbroking firms has been driven up by a host of factors. These include contributions to the stock exchange's new FFr200m compensation fund, from which Tuffier's clients will be reimbursed. There is also the need to computerise so as to provide a service that can compete with the international houses, as well as to tap into the stock exchange's new automated settlement system, Relit, due to come on line in September. As one broker puts it: "Their cost base has increased while the number of clients has decreased, demand has stagnated and competition has increased." Tuffier, clearly, just did not believe the threat to its survival was that serious.

The big question now is for how much longer the other loss-makers, both independent and bank-owned, can survive. Over two-thirds of Paris stockbrokers are in the red, according to some pessimists – and as London has shown, even the richest parents run out of patience one day.

Spanish steel supplier to be sold

By Tom Burns in Madrid and Charles Leadbeater

BANCO ESPANOL de Credito (Banesto) yesterday said it had entered a joint venture with British Steel to acquire Jose Maria Aristrain, the family-owned company that is Spain's largest producer of structural sections for the construction industry. The venture is British Steel's second move into manufacturing in continental Europe.

Mr Mario Conde, Banesto's chairman, said his bank's Corporacion Banesto had agreed to a deal with British Steel under which each would take 40 per cent of Aristrain, with the remaining 20 per cent being held by the existing family shareholders.

However under the agreement, British Steel and the bank have agreed that they would each sell 5 per cent to Ensidesa, the Spanish publicly owned steel company, it should choose to join the venture.

Neither group would disclose the price of the deal, but late last night Aristrain revealed that it was receiving about Pta40bn ($396m) for the sale of 80 per cent of the company.

The price will be finalised after British Steel has carried out a due diligence exercise on the privately owned company's accounts, which could take up to four months.

British Steel said Aristrain had sales of about $724m last year and a net asset value of about $407.2m.

The Aristrain deal comes just weeks after British Steel agreed to pay $190m to buy the Troisdorf plant of Klöckner-Werke, the West German steel and chemicals group.

British Steel would have preferred to acquire the company outright. However a unilateral bid faced intense political opposition within Spain. The complicated partnership with Banesto, with the possibility that Ensidesa might also join the venture, proved necessary as a mechanism to diffuse political hostility to the deal.

Once British Steel's interest became known the Spanish Industry Ministry mounted a counter-bid through Ensidesa and Altos Hornos de Vizcaya, Spain's largest steel producers, which are both state-owned, in an attempt to thwart the deal.

Both of those companies, which recently returned to profits following years of losses, fear that a British Steel beachhead in Spain will lead to increased high-quality steel imports.

Aristrain provides a British beachhead, Page 26

Speculation spreads over IBM sale of typewriter businesses

By Roderick Oram in New York

SPECULATION that International Business Machines might soon shed low technology businesses such as electric typewriters and keyboards mounted yesterday after it failed to deny it was contemplating such a multi-billion dollar move.

It said only that it was "considering many options . . . to sharpen its strategic focus and remain on the leading edge of the information processing business."

Offering the fullest range of business equipment from typewriters to mainframe computers has long been central to IBM's philosophy. But a sharp drop in profits in the mid-1980s forced the company to change drastically its operations and the way it does business.

Much work still needs to be done to reorient IBM, Mr John Akers, its chairman, acknowledged earlier this week when he announced its second-quarter results. Dropping low technology products that generate only meagre profits in spite of high volumes would be a welcome further step, analysts said. In a similar vein, it sold its photocopier business to Eastman Kodak two years ago. "It would be an embarrassing admission for IBM that it can't hack it on those products but I give them credit for looking for an exit," said Mr Ulric Weil, who runs his own computer industry analysis firm in Washington.


Akers: much to be done

IBM had revamped its electric typewriter range in the mid-1980s and spent several hundred million dollars to update its Lexington, Kentucky, plant to make them.

But the typewriter market is being rapidly eroded by ever cheaper and simpler computers and word processors.

The trend has already led to a collapse in profits at Smith Corona, the US maker of portable typewriters 48 per cent owned by Hanson of the UK.

Because of such pressures, IBM is considering selling its typewriter, keyboard and possibly its low-priced printer businesses, the Wall Street Journal reported yesterday.

IBM is believed to be studying various options including the sale to an outside buyer, an employee buy-out or a combination of the two, analysts said. A deal could be worth around $3bn.

Wall Street was very short on buyer candidates yesterday. Asian manufacturers dominate all three businesses worldwide, leading to speculation that IBM might be talking to a potential purchaser from Japan or Korea.

The Lexington plant, the sole in-house US source of those products for IBM, employs some 6,000 people.

Weak US defence earnings

By Roderick Oram in New York

TWO US defence contractors reported poor second-quarter earnings yesterday.

General Dynamics took a $500m pre-tax charge for cost overruns, and McDonnell Douglas turned in weak results only two days after announcing plans to fire up to 17,000 workers. A third contractor, Northrop, recovered from a loss a year ago.


MD-11: development costs hit McDonnell Douglas

General Dynamics reported a net loss for the quarter of $240m. Without the charge, net profits would have been $90m.

McDonnell Douglas had net profits of $57m, compared with a net loss of $48m a year ago.

Development costs of the MD-11 airliner led to an operating loss of $33m in the transport aircraft division.

Northrop earned net profits of $29.3m, compared with a loss of $78.1m (following a $150m provision) a year ago.

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Conde unveils Spain's "1%" issue

By Tom Burns in Madrid

MR MARIO CONDE, chairman of Banco Español de Credito (Banesto), formally unveiled yesterday his big project to offer international investors the opportunity to buy into "1 per cent of the Spanish economy" by acquiring equity in the financial and industrial corporation formed by his bank's widespread interests.

In what will be the largest placement by a private Spanish corporation, Mr Conde's bank expects to raise between Pta85bn ($817m) and Pta90bn by reducing its stake in Corporacion Banesto from 77 per cent to 51 per cent.

The shares will be traded after the summer on the Spanish stock exchanges and on SEAQ International in London, with a 60 per cent tranche being placed outside Spain.

Corporacion Banesto consists of nine core industrial assets controlled by the conglomerate, a number of investments in quoted and unquoted companies and a portfolio of fixed interest and foreign securities.

All the assets were merged under the same corporate roof by Mr Conde last April to create Spain's largest, and youngest, private holding company.

Anxious to build up Spain's corporate profile, the Government allowed Mr Conde a considerable fiscal break by waiving 70 per cent of the capital gains tax due on the profits realised by Banesto when it revalued its assets to create the holding.

Taken together the corporation's assets have a market value of some Pta320bn. They represent around 2.7 per cent of the Madrid stock exchange and account for just over 1 per cent of Spain's gross domestic product – a statistic that has become the chief selling point in the proposed placement.

Mr Arturo Romani, Corporacion Banesto's chief executive, stressed at yesterday's presentation that Spain would continue to be Europe's fastest growing economy in the early part of this decade with GDP growth staying at least one point above the European average.

The sales pitch ran on the lines that what is good for Spain is good for Corporacion Banesto, for the holding includes quality companies in virtually all the key sectors.

The jewels in the conglomerate crown include Sanson, Spain's leading cement producer, Petromed, Spain's fourth ranked oil company with 10 per cent of the country's refining capacity, Asturiana de Zinc which accounts for 70 per cent of Spain's zinc

Mario Conde: energetic, 'hands-on' businessman

production, Carburos Metalicos, the domestic market leader in ferro-alloys, Union y Fenix, the second largest insurance company in Spain, Tudor, a European leader in industrial batteries, and Agroman, the second ranked construction company in Spain.

Mr Conde said the holding company's target was to achieve an operating profit return of between 20 per cent and 25 per cent over the next three to five years. He stressed that his aim was to "achieve an overall performance in line with other large industrial groups in Europe."

For the institutional investor looking to Spain Corporacion Banesto offers an entirely new option to buy into a well-diversified cross shareholding.

The corporation appears as a glorified closed-end investment trust with the added ingredient of a hands-on management headed by the energetic Mr Conde, a 41-year-old businessman who became Banesto's chairman two and half years ago.

No details were released about the expected discount on the flotation but Mr Stefano Marsaglia, director of corporate finance at UBS Phillips & Drew which will underwrite and lead the share offering, said there would be a private placement in the US under rule 144A as well as a public offering without a listing in Japan.

For the newly launched conglomerate the future looks rosy. Mr Joaquin Tamames, a partner of Madrid-based market analysts Research Associates, said Corporacion Banesto has a "huge growth potential" because it is it formed entirely by equity and reserves that are invested in its companies. The holding company's balance sheet can consequently be geared up with comparative ease to pursue further acquisitions.

Aristrain provides a British beachhead

Maria Aristrain, the Spanish steel producer, has been ripe for acquisition ever since the Basque businessman who built the company up and named it after himself died when his helicopter crashed over the French Riviera in 1986, writes Tom Burns.

Left effectively leaderless when the Aristrain heirs showed little interest in managing it, the property looked even more inviting when the Spanish steel market picked up strongly that same year.

Now it is set to become the beachhead in British Steel's strategy to establish a manufacturing base in continental Europe.

Buying into the 2,000 employee company, which last year returned profits of Pta6bn ($57m) on a Pta60bn turnover, was not an easy matter, especially for a foreign company. For the better part of this year there have been conflicting reports over British Steel's bid as Mr Claudio Aranzadi, Spain's Industry Minister, fought a rearguard action to prevent the deal.

Finally success came in what could turn out to be a casebook example for foreign companies seeking to enter sectors that are considered sensitive by the Madrid administration: British Steel hitched its bid to Banco Espanol de Credito, Banesto, which will take a similar 40 per cent stake to the UK company, leaving the 20 per cent balance of the equity in the hands of the Aristrain family.

The arrangement with the Spanish bank, via the latter's industrial holding conglomerate Corporacion Banesto, takes the sting out of the acquisition as far as the Industry Minister is concerned.

"We couldn't oppose British Steel buying into Aristrain and Aristrain's owners are perfectly free to sell to whom they chose," explained a senior ministry official yesterday. "But we would have preferred a wholly Spanish arrangement."

The ministry in fact attempted a counter-bid for the family-owned company by a consortium of Spanish steel companies which was to have been lead by the state-owned producer Ensidesa. The attempt failed because it could not match the kind of price that the Aristrain heirs were seeking.

With Banesto's conglomerate as a partner in the deal British Steel has gained itself a powerful ally. Mr Mario Conde, Banesto's chairman, said yesterday that he had been determined to buy into the Basque-based producer – "it is a good company, with a good cashflow and with good potential" – and he stressed that the value of the acquisition had been increased because it was a joint venture with British Steel.

The Industry Ministry, which was more than uneasy about an outright purchase by British Steel, has been somewhat mollified by Banesto's presence.

As a further sweetener it now appears that both Banesto and British Steel will relinquish 5 per cent each of their equity in favour of Ensidesa. This is an intelligently diplomatic move that should set in motion a series of marketing agreements between Aristrain and the rest of the Spanish steel industry, both private and public.

British Steel's interest in Aristrain was, in the last analysis, opposed by the Industry Ministry not just because it was a foreign intruder, but because real concern centres on the fractured state of the steel industry in Spain.

Mondadori unit to buy 10% of Gallimard

By Haig Simonian in Milan

WITH a twist to the plot that would make many of their authors smile, Gallimard and Mondadori, the prestigious French and Italian publishing houses which have both been involved in lengthy separate family disputes worthy of many a good novel, are today to announce an equity link.

Einaudi, the leading Italian publisher which is owned by a 49 per cent controlled Mondadori subsidiary, is due to take a 10 per cent stake in Gallimard, in the prelude to what will be wider co-operation between the two houses.

The shares in Gallimard have become available following the recent decision by three key family members of the Gallimard family to sell their holdings to Banque Nationale de Paris (BNP).

As a result, the bank now owns almost 37 per cent of the company, which publishes the works of Marcel Proust among a glittering list of others.

No price has been released for the deal, which may also involve further companies taking like-sized stakes in Gallimard. However, on the basis of the valuation made by Henry Ansbacher, the investment bank which arranged the latest family share sale to BNP, the 10 per cent stake would be worth FFr182m ($32m).

Einaudi itself, which has a list of 3,650 titles, is Italy's leading literary publisher, numbering Italo Calvino among its best-known authors, as well as having a lengthy catalogue of foreign literature in translation.

Accor arm buys 50% of Restoplan

GENERALE DE Restauration, a unit of Accor, the French hotel and restaurant group, has joined up with Hodon, a unit of Vendex International to buy Restoplan, a Dutch restaurant company, AP-DJ reports. Accor said both Générale de Restauration and Hodon have taken a 50 per cent stake in Restoplan, which has estimated 1990 consolidated revenue of Fl 50m ($26m).

Pirelli warns of weak results in first half

By Ronald van de Krol in Amsterdam

PIRELLI TYRE Holding (PTH), the Dutch holding company for the tyre activities of Italy's Pirelli group, cautioned yesterday that its first-half figures, due out in September, were likely to be significantly lower than in the same period of 1989.

The company, which floated its shares on the Amsterdam stock exchange in mid-1989, attributed the downturn to severe price competition, a decline in volume sales and the weaker US dollar. In the first half of 1989, net profit had risen 20 per cent to Fl 102m ($54.84m).

PTH said results in the second half of 1990 were expected to improve, thanks to cost-cutting, higher seasonal sales and a reduction in non-recurring negative factors.

The company said it would update its full-year forecast in early September.

In April, PTH had estimated that 1990 profit would be maintained at 1989 levels and that sales would show a rise of more than 5 per cent.

PTH's shares fell Fl 1 to close at Fl 25.80 yesterday.

Consolidated sales in the 1990 first half fell to Fl 3.16bn from Fl 3.36bn in the same 1989 period, reflecting the dollar's decline against the guilder.

In dollar terms, first-half turnover was up 5 per cent at $1.66 bn.

However, volume sales declined slightly in the first half, with the trend varying from region to region. PTH saw moderate sales growth in Europe, but faced a drop in both sales and selling prices on the North American market for replacement tyres.

Sales in South America got off to a good start in early 1990 but these were hit later by the Brazilian Government's economic austerity programme before picking up again in June.

In Turkey, the tyre industry had ground to a halt over the past three months because of a prolonged industrial dispute, PTH said.

"The market prospects for the second half are for stability of replacement volumes with a probable reduction in original equipment in Europe, for no change in the US and improvement in volumes in South America," said PTH.

Allianz denies plan to link with banks or insurer

ALLIANZ, the West German insurer, yesterday took the unusual step of denying rumours on the Frankfurt bourse that it planned to take a stake in one of two West German banks, or join forces with a British insurance firm, writes Our Financial Staff.

The speculation prompted a DM152 ($91.90) surge to DM3,075 in Allianz shares on the Frankfurt stock exchange yesterday. At one point the shares reached DM3,120.

But Allianz said: "We have no plans to take stakes in Bayerische Vereinsbank, Vereins- Und Westbank, or Prudential Corporation of the UK."

Allianz said it had expressed its interest several times in taking a stake in a foreign insurance firm, especially in the US, but no deals were pending.

The German insurer noted that yesterday's share price rise could have been the result of a tight market in Allianz stock, which implied that any demand for the share would boost its price sharply.

Separately, Deutsche Bank confirmed that it plans to increase the capital of its East German unit Deutsche Bank Kreditbank in a move which will increase its stake in the East German joint venture.

Deutsche Bank currently holds 49 per cent of Deutsche Bank Kreditbank's capital. Deutsche Kreditbank, the commercial arm of the former East German central bank, owns 47 per cent, with the remainder held by East German companies.

Mr Georg Krupp, Deutsche Bank board member, said that after the capital increase, Deutsche Bank's stake in the joint venture would "not be that far away from 100 per cent."

Stronger profits for private Greek banks

By Kerin Hope in Athens

GREECE'S two private banks have reported strong growth in profits for 1989, benefiting from further liberalisation of the banking system and an expanding capital market.

Credit Bank announced that net profits totalled Dr6.99bn ($43m), a 59.1 per cent rise over 1988. The underlying growth in operating income reached 33 per cent, while underlying costs rose by only 24.2 per cent, a gap which accounts for much of the strong improvement in profits.

The bank raised its dividend by 33 per cent to Dr1,000 on earnings per share of Dr1,590. The return on equity was 32.3 per cent, up from 22.7 per cent.

The results reflected the bank's improved growth in retail services, as well as a strong performance by its recently established investment banking, leasing, and brokerage subsidiaries.

Ergobank, a smaller private bank, reported a rise in net profits from 1988 of 106.2 per cent, to Dr8.1bn. Underlying growth in operating income totalled 68 per cent, while costs rose by 34 per cent.

The bank announced a dividend of Dr1,000 per share, up from Dr620 per share in 1988. Earnings per share were Dr1,986, while the return on equity declined from 62 per cent to 59.3 per cent.

Alisarda plans capital increase

ALISARDA, a second-tier Italian airline controlled by the Aga Khan, plans to increase its nominal share capital to L15bn ($12.39m) from L12bn in a capital operation that will raise a total of L48bn, AP-DJ reports.

The operation will also bring in the Cariplo banking group as a new shareholder. Cariplo's Compagnia Finanziaria Italiana (CFI) will take up about 20 per cent of the capital increase to acquire a 4 per cent stake in Alisarda.

Alisarda's other shareholders have agreed to take up the outstanding 80 per cent.

Bristol-Myers, Merck and Warner-Lambert surge

By Karen Zagor in New York

BRISTOL-Myers-Squibb, Merck and Warner-Lambert, three big US drug groups, yesterday reported strong growth in their profits in the second quarter as the sector continues to perform exceptionally well, thanks partly to growing demand for a new generation of prescription drugs.

In spite of the improved results, shares in both Bristol-Myers Squibb and Warner-Lambert fell at mid-day yesterday, by $⅞ to $64⅝ and $1½ to $67⅞ respectively, while shares in Merck gained $½ to $90⅝.

According to Mr Samuel Isaly, a New York analyst and partner at Mehta Isaly, the decline reflects a normal correction in the stock prices rather than disappointment in the companies' earnings. Stock prices of leading pharmaceutical companies in the US gained 11 per cent in the first half of this year, compared with gains of 2 per cent for the US market as a whole.

Bristol-Myers Squibb, the world's second biggest drugs company which was created after a $11.5bn merger last year, posted a 21 per cent jump in second-quarter net earnings to $417.3m or 79 cents a share from $345.2m or 66 cents a year earlier. Sales grew 11 per cent to $2.48bn from $2.24bn.

Domestic sales increased 7 per cent in the 1990 quarter while international sales rose 17 per cent. Mr Richard Gelb, chairman and chief executive, said the company's pharmaceutical business was particularly strong in the quarter.

For the first half of 1990, Bristol-Myers Squibb's net income gained 20 per cent to $826.3m or $1.57 a share from $688.8m or $1.32. Sales improved 10 per cent to $4.94bn from $4.51bn.

Merck, the New Jersey drug company that has made enormous progress in introducing new products, yesterday unveiled a 19 per cent gain in second quarter net income to $470.2m or $1.20 a share from $396.6m or $1 a share a year earlier. Sales improved 20 per cent to $1.9bn.

For the first six months, Merck posted a 19 per cent gain in net income to $874m or $2.23 a share on sales which rose 16 per cent to $3.66bn compared with net income of $737m or $1.86 a share on sales of $3.16bn.

Warner-Lambert, based in Morris-Plains, New Jersey, said its net income in the second quarter rose 20 per cent to $134.5m or $1 a share from $112.4m or 83 cents a year ago. Earnings per share for 1989 have been restated to reflect a two-for-one stock split in May. Sales in the latest quarter grew 13 per cent to $1.15bn from $1.02bn.

For the first six months ended June 30, net income advanced 19 per cent to $254.8m or $1.90 a share from $213.4m or $1.58 a year earlier. Sales grew 10 per cent to $2.25bn from $2.04bn.

Income grows 27% at Philip Morris

By Alan Friedman in New York

PHILIP MORRIS of the US, the world's biggest consumer products conglomerate, which last month announced plans to pay $3.8bn to acquire Jacobs Suchard of Switzerland, yesterday unveiled a 27.2 per cent jump in second-quarter net income, to $948m.

The profits rise – which translates into a 28.8 per cent rise in earnings per share to $1.03 – was achieved on the back of 11.6 per cent higher quarterly revenues of $12.7bn. Operating income in the second quarter was 19.4 per cent higher at $2.3bn.

For the first six months of 1990 the company's net profit was 29.1 per cent up at $1.7bn on revenues of $24.1bn, an increase of 9.5 per cent. Around 30 per cent of Philip Morris sales come from outside the US, with tobacco last year accounting for 65 per cent of total group operating income, food products 30 per cent, beer 3 per cent and financial services and real estate 2 per cent.

Mr Hamish Maxwell, chairman and chief executive, said revenues were higher in each of the five divisions – the Philip Morris US and international businesses, Kraft General Foods, Miller Brewing and Philip Morris Capital. He said the only exception was the real estate portion of Philip Morris Capital. Mr Maxwell said cigarette unit volume increased strongly outside of the US.

The group's total debt-to-equity ratio stood at 1.75:1 at the end of March, or $17.3bn of debt against $9.9bn of equity.

On Wall Street the share price rose ⅛ of a point yesterday morning to $50⅝.

Strong C$ weakens forest groups

By Bernard Simon in Toronto

A COMBINATION of weak pulp and paper markets, the strong Canadian dollar and extra costs severely dented the performance of Abitibi-Price, MacMillan Bloedel and Canadian Pacific Forest Products, three of Canada's leading forest products companies.

Abitibi, one of the world's largest newsprint makers, suffered a C$3.7m (US$3.2m) loss, equal to 6 cents a share, in the second quarter, against earnings of C$28.8m, or 39 cents a share a year earlier.

The latest period includes a pre-tax charge of C$28.9m, largely to cover the cost of a corporate restructuring. Without this charge, second-quarter earnings would have been C$14.1m, or 20 cents a share. Sales slipped to C$803m from C$830m.

Macblo's earnings tumbled by more than half to C$26.8m, or 25 cents a common share, from C$64.9m, or 61 cents a share. Sales fell to C$807m from C$852m.

Earnings at CP Forest dived to C$6.6m, or 15 cents a share, from C$72.9m, or C$1.66. Sales fell 12 per cent to C$651m. The company said markets for all its products were weaker, except tissue paper.

Lower newsprint prices cut earnings from CP Forest's two new joint-venture mills, while output at one mill was lower than expected. Abitibi said that newsprint demand has improved, but noted that it was due to a build-up in publishers' inventories, rather than higher consumption.

Abitibi and Macblo pointed to some glimmers of light in the newsprint market. A price increase came into effect last month, and projected industry capacity is contracting as producers shut down machines or convert them to other products.

Mr Ray Smith, Macblo's chief executive said that while modernised facilities, a better product mix and a stronger balance sheet will help it during the present period of overcapacity, it was being hurt by two new factors: the strong Canadian dollar and heavy spending on anti-pollution equipment.

The Canadian currency this week hit a 10-year high against the US dollar.

Abitibi announced earlier this month that it would have a 50 per cent stake in Britain's largest recycled-fibre newsprint mill, to be built east of Glasgow. Its partners in the C$400m project are The Daily Telegraph and Mirror Group Newspapers.

Tissue side props Scott Paper

By Karen Zagor

SCOTT PAPER, the world's largest producer of toilet tissue, paper towels and paper napkins, has reported a 4 per cent improvement in net income for the second quarter of 1990 on sales which grew 6 per cent.

Net income was $74.6m in the three months ended June 30 against $71.5m a year earlier. There were fewer shares outstanding in the 1990 quarter and earnings per share rose 9 per cent in the period to $1.01 from 93 cents on a fully diluted basis. Sales in the quarter were $1.32bn against 41.25bn.

Six-month net income fell 15 per cent to $134.7m from $158m, while earnings per share slipped 11 per cent to $1.83 from $2.05 on a fully diluted basis. Sales in the first half edged ahead to $2.62bn.

Mr Philip Lippincott, chairman and chief executive, attributed the improvement in the 1990 second quarter to a strong performance from Scott's US tissue business. However, the performance of the company's S.D. Warren printing and publishing papers business fell short of the its 1989 results.

The group's results in the latest quarter were hit by higher interest expenses. It has increased its debt level to finance an aggressive capital expansion programme, higher working capital needs and to purchase of its common stock warrants in 1989.

Scott's consolidated subsidiaries reported a 10 per cent decline in income from operations in the latest quarter, although sales from the subsidiaries improved by 10 per cent in the three months.

Continental Bank sinks into the red

By Alan Friedman in New York

THE US banking sector's predominantly gloomy state was underscored again yesterday as increased non-performing loans were disclosed by the Chicago-based Continental Bank and by Fleet/Norstar, the New England bank holding group.

Continental Bank suffered a $57m net loss in the three months to June 30, compared with net profits of $64m in the same period of 1989.

The net loss amounted to $1.35 a share, compared with net earnings per share of $1.01 in the same period a year ago.

Fleet/Norstar announced a $60m net for the second quarter, which was down by 33 per cent on the $90.2m net profit recorded in the same period last year.

Earnings per share dropped from 81 cents to 54 cents while the bank's results for the first six months of 1990 show a $38m loss, compared with a net profit of $182.6m in the first half of 1989.

Total non-performing loans at Continental increased to $673m from $455m during the second quarter, with the bulk of the increase coming from loans for highly leveraged transcations.

Mr Thomas Theobald, chairman of Continental Bank, said yesterday that the entire financial services business is being hit by "overcapacity and a general slowdown in demand".

But he maintained that despite the increase in non-performing loans the bank's ratios for the portfolio compared favourably with money centre banks.

Fleet/Norstar non-performing loans increased to $756m from $653m and mortgage foreclosures increased to $291m from $275m during the second quarter.

Wall Street is, by now, taking most of the gloomy bank results in stride, which may explain why Continental's share price was unchanged at $13¾ ot midday on the New York Stock Exchange and Fleet/Norstar's actually ⅛ point up to $19⅛.

Asea enters into joint venture

By Patrick Blum in Lisbon

ASEA Brown Boveri, the Swiss-Swedish engineering group, is linking up with two Portuguese companies to form a joint venture which will be Portugal's fifth biggest industrial company.

The joint venture will have an estimated annual turnover of Es31bn ($210m) and "will establish a company able to compete internationally in the 1990s," according to Mr Bert-Olof Svanholm, executive vice-president of ABB.

The Portuguese partners in the new company, to be called Sistemas de Energia e Transportes (SET), are Mague, Portugal's largest manufacturer of power generation equipment with an annual turnover of Es19bn, and IPE, the Portuguese state-owned holding company.

IPE will bring into the venture the manufacturing activities of Sorefame, a leading manufacturer of hydro-electric and railway equipment with an annual turnover of Es12bn. Mague and Sorefame are both also suppliers of heavy mechanical equipment.

SET will be owned 32.4 per cent by ABB, 46.3 per cent by Mague and 21.3 per cent by IPE. It will begin operations this autumn.

The new venture will not involve setting up new plants, but ABB will provide some additional capital investment, the amount of which was not disclosed.

"Portugal is a growing market with a substantial growth in power generation and transports. It offers long-term opportunities for exports within the European Community and in other markets including Portugal's former African colonies. We see this as a great opportunity. By merging (the activities of the three companies) you create a company that will be competitive in the European Community," Mr Svanholm said.

In 1988 ABB acquired the service operations of General Electric Portuguesa which has important activities in Angola. Sorefame's railway division is already one of ABB's major suppliers of stainless steel carriages for the US market, Mr Svanholm said.

Setting up the new company is "an important step for establishing ABB in Portugal as the major supplier" of power and transportation equipment, Mr Svanholm said.

Advertising decline hits NYT

By Alan Friedman

DECLINE in advertising revenues and weakness in the New York regional economy resulted in a 31.6 per cent slump in second quarter net earnings at the New York Times Company (NYT), to $26.8m or 35 cents per share from 50 cents a year ago.

The profits fall, struck on revenues that were only 2 per cent higher at $468.9m, continues the pattern set in the first quarter, when weak advertising also contributed to NYT's nearly halved profits from continuing operations.

Other factors contributing to the profits decline were the cost of the acquisition last year of McCall's magazine and higher depreciation and interest expenses related to the building of new facilities. Had it not been for these two factors NYT's second-quarter earnings per share would have been 50 cents per share.

Second-quarter operating profits for the group that consists of the New York Times, 35 regional papers and a 33 per cent stake in the International Herald Tribune fell from $67m to $50.1m.

Wall Street discounted much of the NYT news and marked the company's share price ¼ point lower, to $23¾.

McGraw-Hill books 27% fall

By Alan Friedman

MCGRAW-Hill, the big US publishing and information services group, which is also the parent of Business Week magazine, has reported a 26.7 per cent slide in second-quarter net income, to $37.2m. The second-quarter decline, struck on revenues 6.6 per cent higher at $457.8m, follows a 47 per cent drop in first-quarter net profits and a 74.2 per cent slump in 1989 net income.

Mr Joseph Dionne, chairman and chief executive, said he was confident however that the group would achieve its 1990 target of earnings per share in the $3.50 to $4.00 range.

Last year's earnings per share were 98 cents. Second-quarter 1990 earnings per share were 76 cents, against $1.04 in the same period for 1989.

Mr Dionne attributed the second-quarter setback to increased interest expenses and the lack of one-time gains and tax benefits that had occurred in the equivalent period of 1989. Interest expenses were nearly doubled to $13.4m, because of due to borrowings to finance acquisitions. made at the end of 1989.

Mr Dionne said that all four operating divisions of McGraw-Hill – financial services, information and publication services, educational publishing and broadcasting – achieved higher revenues, but only financial services managed to increase operating profits.

The financial services division, which includes the Standard & Poor's rating agency, achieved a 32 per cent rise in operating profits, to $27.7m.

The information and publication division suffered a 20 per cent drop in profits, to $30.6m. this was due in part to a drop in advertising at Business Week and Aviation Week and a shortfall in certain computer and communications operations.

Softness in healthcare magazine advertising and cyclical conditions at the Shepard's legal citation subsidiary contributed to a 55 per cent dop in profits, to $3m, in the educational/professional publishing business. Broadcasting profits were unchanged at $9.8m.

Polaroid blames business climate for downturn

By Roderick Oram

POLAROID, the instant photography group, has reported a fall in second-quarter sales and profits, with particular weakness showing up in its US businesses. The results were worse than the modest downturn the stock market had expected.

Net profits for the three months ended June fell to $32.9m, or 45 cents per common share, compared with $42.7m, or 62 cents, a year earlier.

Sales slipped to $475.6m from $486.6m with an 8 per cent rise in foreign sales only partially offsetting a 10 per cent drop in US sales.

Mr MacAllister Booth, Polaroid's president, blamed the setback on "continuing uncertainty in the worldwide business climate."

Operating profits for the second quarter fell to $66.7m from $91.9m but Mr Booth forecast they would be flat or only moderately lower for the full year. Overall, retail film sales were slightly ahead.

MCI rings up higher returns

By Roderick Oram

MCI Communications, the second largest US long distance telephone network after AT&T, has reported higher earnings with contributions coming from both commercial and residential customers.

Net profits for the second quarter ended June rose to $170m, or 67 cents a share, from $142m, or 56 cents, a year earlier on revenues of $1.9bn against $1.6bn. The results were slightly lower than some analysts had forecast, and the stock fell $1⅛ to $36⅞ yesterday morning. But MCI's stock price was affected more by bad news about its rival US Sprint than market concern about MCI's outlook, analysts said.

Shares of United Telecommunications, Sprint's parent, had fallen by $8¼ to $29½ on Tuesday after it reported renewed problems at Sprint. The network dropped to an operating loss in the second quarter and its parent had to take extraordinary charges of $72m.

Late last year, MCI increased its sales and marketing staff and began pursuing business more aggressively than in the past. As a result, Sprint lost some two percentage points of market share in the latest quarter, analysts said.

"Volume growth continued to be strong across all segments for the second quarter," said Mr Bert Roberts, MCI's president. Residential business in particular was bolstered by a new bulk purchase plan for both national and international long distance calls.

● Ameritech, the regional Bell telephone company based in Chicago, reported net profits for the second quarter of $352.3m, or $1.33 a share, up from $316.6m, or $1.19, a year earlier. Revenues rose to $2.68bn from $2.55bn.

Its telephone lines increased by 2.9 per cent to 16.1m, while its cellular telephone subscribers grew by 42 per cent to 266,000. Costs grew broadly in line with telephone traffic volume, although the company benefited from some staff cuts in the previous two quarters.

First-half net rose to $655.8m, or $2.46 a share, from $617.4m, or $2.31, on revenues of $5.3bn against $5.05bn.

Automotive arm slows Rockwell

By Louise Kehoe in San Francisco

ROCKWELL International, the electronics, aerospace and defence group, has reported a slight decline in third-quarter sales and earnings.

Net income was $171.2m, down 3.9 per cent from $178.1m in the same period last year. Earnings per share rose to 71 cents from 70 cents, reflecting the benefit of the company's stock repurchasing programme. Operating income rose 3 per cent. Sales for the quarter were $3.1bn, compared with $3.2bn.

Rockwell saw strong growth in its electronics business and improved performance in space systems and graphics, businesses, the company said.

"Electronics operating earnings, which increased 11 per cent from last year's third quarter, represent nearly 50 per cent of the company's total operating earnings," said Mr Donald R. Beall, chairman and chief executive. Aerospace third-quarter earnings were approximately the same as last year, with space systems growth offsetting the effects of reduced B-1B bomber programme activities, the company said.

Third-quarter earnings of the automotive business were down 15 per cent from a year ago due to disruption of operations in Brazil, Rockwell said.

Sales for the first nine months of 1990 totalled $9.2bn, virtually unchanged from last year. Net income for the period was $490.4m against $504.8m last time before a one-time gain of $104m from the sale of an instrumentation division. Earnings per share came to $2 for the 1990 period, up from $1.97 for the 1989 period.

"We are confident our full year earnings per share will show an improvement over last year before the 40 cents per share gain from the 1989 sale of a business," said Mr Beall.

Pump puts bounce back into Reebok

By Our Financial Staff

REEBOK International's Pump, an adjustable-pressure sports shoe, helped give the Massachusetts footwear maker a 22.2 per bounce in second quarter sales to $527.2m, but profits were slower to respond, increasing by only 6.4 per cent after tax to $43.4m.

Sales of the Reebok brand alone – the company has others including Rockport and Avia – grew 10.9 per cent to $310m in the US and a far sharper 112 per cent abroad to $105m. In late May Reebok began shipping further Pump-based products after the success of its basketball boot.

A 31.5 per cent stake in Reebok was put up for sale last month by Pentland Industries of the UK.

For the first half-year to June, net profits were $96.1m compared with $90.2m, on sales of $1.08bn against $920m. On a per-share basis, earnings were 84 cents for the six months, up from 79 cents, and 38 cents in the latest quarter against 36 cents.

Reebok said sales at its Avia and Boston Whaler units continued to be hurt by operational adjustments, but progress was being made.

Iberia cleared for Aerolineas

By Garry Mead in Buenos Aires

PRESIDENT Carlos Menem has given the final go-ahead for Iberia, the state-owned Spanish airline, to take control of Aerolineas Argentinas, Argentina's national airline.

Mr Menem said: "There is no possibility of going back" on the deal, under which a consortium of Argentine companies, led by Iberia, has purchased 85 per cent of Aerolineas.

President Menem added, in an attempt to paper over the cracks which have appeared in the privatisation of Aerolineas, that "the Argentina which has a ruined image abroad, moving forwards and backwards, is finished."

Under the terms of the deal Iberia is to pay $260m in cash, with provision for $2bn in debt-equity exchange.

Pfizer and Eli Lilly post strong growth

By Karen Zagor in New York

PFIZER and Eli Lilly, two of the leading US pharmaceuticals companies, have reported strong growth in earnings and sales for the second quarter of 1990, reflecting the trend for pharmaceutical companies to outpace other general US companies in corporate second-quarter profits growth.

Although Pfizer's profits and sales were in line with expectations, "Pfizer's sales growth worldwide was a surprise," said Mr Sam Isaly, a New York analyst at Mehta and Isaly, and shares in the company rose ⅞ on the news to $69¾. Wall Street had anticipated Lilly's strong performance and shares in the company lost $1.875 after release of the figures to $87.875.

Pfizer's net income for the three months ended July 1 grew 11 per cent to $151.2m from $135.7m, while earnings per share rose 13 per cent to 90 cents, from 80 cents a year ago. Income from operations grew 17 per cent to $209.3m in the quarter to $209.3m.

Pfizer's sales in the latest three months increased rose 15 per cent to $1.5bn from $1.3bn over the three months. According to Mr Isaly, underlying sales growth for pharmaceutical companies worldwide is at least 10 per cent, independent of currency.

Sales from Pfizer's health care business jumped 26 per cent in the 1990 quarter, and sales of speciality chemicals rose 4 per cent. However, sales from Pfizer's animal health business were flat in the three months and consumer product sales slipped 2 per cent.

For the first six months of 1990, Pfizer had net income of $403.1m, up 7 per cent from $376.5m a year earlier. Earnings per share grew 8 per cent to $2.40 from $2.23. Sales advanced 9 per cent to $2.98bn from $2.74bn. Income from operations advanced 3 per cent in the six months to $514.7m from $501.1m.

Eli Lilly, an Indianapolis-based company which has been a leader in biotechnology applications, boosted net income 26 per cent to $274.4m from $217.1m. Earnings per share advanced 24 per cent to 93 cents from 75 cents. Sales in the three months increased by 24 per cent to $1.23bn.

For the first half, Lilly's net income increased 25 per cent to $872.6m from $700.4m, on sales which grew 21 per cent to $2.47bn from $2.04bn. Earnings per share improved 19 per cent to $2.07 from $1.74. Lilly's operating income on the first six months of 1990 jumped 31 per cent to $787.7 from $599.7.

The company said worldwide sales of pharmaceutical products were significantly higher in the 1990 quarter.

INTERNATIONAL COMPANIES AND FINANCE

Powering into a window of opportunity

Gita Piramal on private-sector plans for the electricity generation business in India

Sometimes market savvy, political insight and good planning combine to create the perfect business opportunity, and RPG Enterprises' entry into the Indian power sector has the potential to become a classic example of this.

India's fourth-largest business house is proposing to invest Rs20bn ($1.16bn) in power generation and distribution over the next few years. The move comes in the wake of big changes being introduced by the Indian Government in its power policy.

According to the change of policy announced a month ago, the private sector can enter the power generation industry, an area which had previously been reserved for the public sector.

The new policy also offers several incentives in an attempt to reduce expected power shortages of up to 30 per cent in some areas during the country's eighth five-year plan running to 1995.

While other Indian business houses are still mulling over the new policy, RPG Enterprises has announced its willingness to build a Rs9bn, 500MW power station at Budge Budge near Calcutta and a Rs10bn plant also of 500MW split into two units at Chandil near Bokaro in the state of Bihar.

"The new policy is a welcome step, though one wishes that it could be made a little more attractive as far as the permitted returns on loans is concerned," says Mr Sanjiv Goenka, vice chairman of RPG, a diversified Rs17bn business house with interests in tyres, pharmaceuticals and computers.

Mr Goenka is one of the few Indian businessmen to have shown consistent interest in the power sector. The cornerstone of an ambitious plan was the takeover in April last year of Calcutta Electric Supply (CESC), a problem-riddled power generating company in the state of West Bengal.

Sanjiv Goenka: consistent interest in the power sector

The acquisition attracted enormous controversy, becoming a test case for the privatisation of loss-making public sector units.

There was also an element of irony in that communist-controlled West Bengal should take the lead in the privatisation of power.

"It was the first state to follow perestroika, though nobody called it by that name," says Mr Goenka, who is an admirer of Mr Jyoti Basu, the state's Marxist chief minister.

RPG had also acquired KEC International, a power transmission company, in 1985 and negotiated a tie-up with Raychem of the US.

Asian Cables, an existing group company which manufactures cables, is being revitalised and two new cable companies, Upcom Cables and Karnataka Cables, have been created.

Power and power-related companies contribute 40.5 per cent to the group's total sales. The group's ability to take advantage of the Government's new policy is strengthened by the fact that its acquisitions cover almost the entire gamut from power generation to transmission towers and cables.

"CESC needs to lay more than 25km of 132 kilovolt underground transmission cables in a major overhaul of the network connecting its various sub-stations," says Mr Goenka. "In Asian Cables we can manufacture such cables."

However, it is not going to be easy turning around the 93-year-old CESC. Its problems include a restless labour force, heavy borrowings and outdated machinery.

So far, attempts to deal with these have simply scraped the surface. The company had barely inaugurated the first of two 67.5MW units, part of a Rs2.54bn replacement project, when the entire eastern grid tripped, plunging Bengal into darkness for 24 hours late last month.

According to an unworried Mr Goenka: "Once the proposed new thermal stations come on stream, the position will improve considerably."

Possibly it is this attitude which enabled the group to become India's fastest growing business house, jumping from 13th position to fourth within a year.

CSR issues profits warning

By Kevin Brown in Sydney

CSR, the Australian sugar and building products group, will be unable to maintain the rapid profits growth of recent years, Mr Alan Coates, chairman, said yesterday.

"We must accept that the high interest rate regime in Australia, and fiscal policies at state level in the US, will result in flat to declining expenditure on housing and commercial and civil construction in both countries this year," Mr Coates told the group's annual meeting.

He said profits from the sugar division would also fall because of increased competition in New South Wales, the biggest Australian market, and higher imports.

However, the impact would be partly offset by the current large price differential between raw and refined sugar which was likely to continue for the rest of this year and would benefit the group's milling operations.

The company was unlikely to make any large acquisitions in the near future, and would concentrate on "trimming any remaining fat" following a restructuring last year, Mr Coates told shareholders.

"It is unlikely to be a year in which we make a large acquisition, unless of course, we find an opportunity too good to miss, and it is fair to say that such opportunities are never thick on the ground."

CSR warned, at the time of its profits announcement for the year to March, that growth in profit this year would be more difficult to achieve in the face of a slowdown in world economic growth, and a lower level of housing and commercial construction in Australia and the US.

The group reported a 33 per cent increase in net profits for the year to A$406.9m (US$313m). It spent more than A$1.5bn last year in expanding its building and construction materials operations, including the acquisition for A$835m of all the subsidiaries of ARC America Corporation from Hanson Industries.

The deal made CSR a significant force in the US construction materials industry, following the US$515m purchase of Rinker Materials Corporation in Florida and the earlier acquisition of several other US building materials companies.

● CSR faces continued losses from its 49 per cent-owned plasterboard venture in Britain, Mr Coates said. Although sales from the Redland Plasterboard venture had exceeded expectations, the UK market had overcapacity, leading to severe competition.

"Acceptable profits will only be made when prices recover and the level of total demand improves. Short-term prospects are not good and losses are continuing," Mr Coates said.

CSR's stake in the venture, which has a book value of A$152m, contributed a loss of A$12m in the March year, according to the annual report.

Brierley raises holding in Carter Holt to 9%

By Our Financial Staff

BRIERLEY Investments (BIL), the entrepreneurial New Zealand group, is boosting its stake in Carter Holt Harvey, the expanding local forestry company, to 9 per cent and may double this to nearly 19 per cent under a deal with Mr Richard Carter, its chairman, and his brother Kenneth.

Last month Carter Holt agreed to pay NZ$822m (US$486.39m) for 52 per cent control of Elders Resources NZFP, previously an offshoot of Australia's Elders IXL.

Krondor, the Carters' family company which holds 20.6 per cent of Carter Holt, is raising NZ$85.5m by selling BIL 30m shares, or some 4.8 per cent.

The NZ$2.85 price is ex the 8.5 cent final dividend due next month. Krondor also has an option to sell up to 45m shares to BIL during December at NZ$3.10, which would take BIL's holding to 18.8 per cent.

BNZ will expand in Australia

By Terry Hall in Wellington

BANK OF New Zealand is committed to expanding its operations in Australia after recent setbacks there, Mr Syd Pasley, the chairman, told yesterday's annual meeting.

He was referring to reports showing that BNZ is a substantial lender to Australian entrepreneurial companies, some of which had failed. Mr Pasley said BNZ was committed to becoming a strong regional bank in both Australia and New Zealand.

Mr Pasley acknowledged there were problems facing the Australian banking industry. "However the BNZ, in the massive restructuring we have been undergoing, has already addressed these problems. We're much more comfortable there," he said. As a result BNZ was facing "substantially less of a loss in Australia than might otherwise have been the case."

In deciding to concentrate on Australia and New Zealand, Mr Pasley said the bank had negotiated the sale of non-core activities, and had withdrawn from the Pacific, selling its operations in Fiji and Tonga, and its 50 per cent shareholding in Bank of Western Samoa.

Mr Pasley said that 12 months ago, BNZ was in a state of crisis, having to report losses of NZ$625m (US$368.4m), make provisions for NZ$1.2bn in bad and doubtful debts, and face capital adequacy problems. However, 1990 was a watershed for the bank, as it had reasserted control of its operation, and faced up to a competitive environment.

He emphasised that the profit of NZ$121m for the latest year to March had to be seen as transitional, with the final-stage business growth yet to come.

Mr Pasley said that while it was too early to forecast profit for the year, the first three months of trading were looking very positive, and were close to budget for the full year. The main concern was the New Zealand economy which remained uncertain at best.

A general election due in October was blurring the application of longer-term government policies and was leading to a deferral of investment decision-making. It was expected that margins would continue to tighten. Further restructuring was inevitable as banks struggled to reduce costs and maintain profitability.

Falling gold price hits Gencor

By Philip Gawith in Johannesburg

SOUTH Africa's Gencor group has reported that net profit in the three months to June was down 12.3 per cent at R107.7m ($40.95m) from the previous quarter at its 11 gold mines, as a result of a slide in the rand-denominated gold price.

Mr Gary Maude, managing director of the group's Gengold gold division, said yesterday he "was pleased and somewhat surprised" at how well the mines had performed, given the tough times the industry was experiencing.

He pointed out that no relief was in sight as the average gold price for the first two weeks of the third quarter was some R1,000 a kg less than the already low second-quarter figure of around R32,000.

Gengold, with its high proportion of marginally profitable producers, has for some time pursued a policy of "more from less" – producing more gold by milling lower tonnages, but focusing on higher yielding ore. Thus the tonnage milled for the quarter was 1.6 per cent down and yields 0.4 per cent improved.

The group has also kept an exceptionally tight rein on costs, which were 2.5 per cent up for the quarter and only 6.5 per cent higher year on year. Mr Maude noted that Gengold's workforce had shrunk from 93,775 at the end of June 1988 to 71,087 two years later.

He was blunt about a main reason for this, saying: "Some of the retrenchments at the moment are a direct result of the 16 per cent pay increase awarded recently. The bigger the increases awarded, the more people that are put out of work."

Stilfontein, West Rand Cons and Grootvlei all made a working loss for the quarter, but the latter two mines were pulled into the black by sundry revenues. Stilfontein, however, showed an after-tax loss of R938,000 against a profit of R1.31m. Mr Maude, however, said: "There is good reason to hope that Stilfontein mine can be made profitable at the present gold price."

He noted three grounds for optimism: the fact that the Ventersdorp contact reef was not well explored; significant scope for reduction in costs at the mine; and indications that there might be some previously undiscovered Vaal reef on the property.

Winkelhaak, Kinross, Beatrix, Buffelsfontein and Unisel, the larger mines in the group, all performed well, Unisel in particular after a poor first quarter.

Mr Maude was also optimistic about the prospects at Weltervreden and Oryx, the group's two developing mines.

LEGAL NOTICES

J I P LIMITED

Registered number: 1926078
Former company name(s):- Carpet Parade Limited
Trading name(s):- Colourbank Carpets, Carpet Parade.
Nature of business:- Wholesale/retail carpets and curtains.
Date of appointment of joint administrative receivers:- 9 July 1990.
Name of person appointing the joint administrative receivers:- National Westminster Bank Plc.
JOHN FREDERICK POWELL and STEPHEN JONATHAN TAYLOR
Joint Administrative Receivers
(Office holder nos 249 and 7621) Cork Gully
Abacus House
32 Friar Lane
Leicester
LE1 5RA

EAGERFLY LIMITED

Registered number: 2019580
Nature of business: PACKERS AND WHOLESALERS OF EDIBLE NUTS
Trade classification: 12
Date of appointment of administrative receiver: 28 June 1990.
Name of person appointing the administrative receiver: BANK OF BARODA, SURJIT KUMAR SINGLA, FCA
Administrative Receiver
(office holder no(s) 285) of
49 Queen Victoria Street,
London EC4N 4SA

APRILODGE LIMITED

REGISTERED NUMBER 2135292
Trading name: RENNY'S HOTEL
Nature of business: HOTEL OWNERS
Trade classification: 47
Date of appointment of administrative receiver: 28 JUNE 1990.
Name of person appointing the administrative: MOUNT BANKING CORPORATION LIMITED.
Administrative Receiver (office holder no(s): SURJIT KUMAR SINGLA, FCA 285 of
49 QUEEN VICTORIA STREET LONDON, EC4N 4SA

PARVA CONSTRUCTION LIMITED

REGISTERED NUMBER 1870531
Nature of business: Property developers
Trade classification: Construction
Date of appointment of joint administrative receiver: 29 June 1990.
Name of person appointing the joint administrative: Midland Bank Plc
JOSEPH PATRICK CONSIDINE and Richard Anthony Smart
Joint Administrative Receivers
(office holder nos 088 and 288) of
Cork Gully
Churchill House,
Churchill Way
Cardiff CF1 4XQ

PARVA CONSTRUCTION LIMITED

We, J M Iredale and N J Vooght of Cork Gully, 9 Greyfriars Road, Reading, Berkshire RG1 1JG were appointed Joint Administrative Receivers of CKJ Holdings Limited Registered Number 2227784 by 3i Plc on 4 July 1990.

J M Iredale
Joint Administrative Receiver

INTERNATIONAL CAPITAL MARKETS

High-yield US bond aimed at UK investors

By Stephen Fidler, Euromarkets Correspondent

SAUDI International Bank has launched a high-yield US bond fund aimed at institutional investors mainly in the UK.

It is the second high-yield fund launched by Saudi International, a long-time investor in the junk bond market. The fund, the Falcon High Income Fund, will be a Guernsey-based open-ended fund, designed to allow investors in and out with two weeks' notice.

The fund is aiming to be about $50m, and will charge fees related to its performance. However, the aim is to be a selective investor in at most 20-30 issues.

The bank's previous fund, the Saudi International High Yield Fund, was launched in November, attracting total investments of $27m. The fund is at a premium of 104½.

Sharp falls in junk bond prices since early last year have led to a selective revival of international institutional interest. CS First Boston is marketing a $250m high-yield bond fund to institutions in the UK, while Salomon Brothers is also said to have a high-yield fund planned.

Samba up 36% in first half

By Victor Mallet

SAUDI American Bank (Samba) yesterday reported a 36 per cent rise in net income for the first half of 1990, underlining the brighter trend in Saudi banking profits over the last year.

Net income rose to SR253.5m from SR186.9m in the same period last year. Operating income rose to SR287.7m from SR240.9m and the bank cut its transfers to reserves to SR34.1m from SR54.0m.

In common with several other joint venture banks, Samba, 40 per cent owned by Citicorp, has been able to tackle the bad debt problems which has plagued the banking system and to start cutting the amount of its annual provisions. Samba has deployed a special remedial management group to retrieve difficult loans.

Mr Mehli Mistri, managing director, said firm control over expenses, together with strong performances from all the bank's areas of business had contributed to the profit increase.

"The bad debt problem is substantially behind us," he said. "We are more than well provided for any contingencies that may occur in the future."

Samba's assets rose to SR13.5bn from SR11.4bn, with loans and advances up to SR6.6bn from SR6.2bn.

Rashid Hussain to acquire 20% stake in D&C

By Our Financial Staff

RASHID HUSSAIN, the listed Malaysian stockbroking firm, is to pay M$223.7m for a 20 per cent stake in the local Development and Commercial Bank and is launching a three-for-five rights issue to help pay for the purchase.

United Industrial Corporation, the Singapore investment company, is selling the stake which it bought for M$106.7m only 15 months ago.

UIC is raising funds to cover the cost of its recent acquisition of Singapore Land, the island's biggest property group.

It said yesterday the D&C disposal would bring it a gain of S$54.6m.

The shares are being sold at M$2.20 a share compared with a current market price of M$2.45.

The Rashid Hussain rights issue, aiming to raise M$176.4m, is priced at M$3.50, against a market price of M$4.20.

Although a link to the bank may lead to cross-marketing and co-operation in arranging finance for brokerage clients, there was no immediate indication yesterday that such ventures were being planned.

Rashid Hussain made pre-tax profits of M$30.1m in the year to May 29, nearly double the M$15.3m of the previous year.

It is forecasting earnings of M$30.8m in the current year after the acquisition and rights issue.

D&C, with assets of M$5.1bn at the end of 1989, operates 36 bank branches and 12 finance company branches.

The deal requires approval by Malaysian regulatory authorities and Rashid Hussain shareholders.

Treasuries lose ground as inflation disappoints

By Janet Bush in New York and Deborah Hargreaves in London

US Treasury bonds took a double hit yesterday, falling after a higher than expected rise in consumer prices in June and then extending their losses as the market digested the semi-annual Humphrey-Hawkins testimony before Congress by Mr Alan Greenspan, chairman of the US Federal Reserve.

GOVERNMENT BONDS

In late trading, short-dated maturities were quoted only around ⅛ point lower while the Treasury's benchmark long bond, which had fallen a full point at one stage, stood ⅞ point down for a yield of 8.54 per cent.

The consumer prices index rose 0.5 per cent in June or at a compound annual rate of 6.7 per cent.

Mr Greenspan said this gain was higher than he had hoped for but said he would be surprised if there wasn't a fall in the CPI in July.

Inflation was the prime topic of interest in the Treasury market yesterday. In a wealth of testimony on monetary policy, the bond market picked out for most attention the fact that the Fed has raised its inflation estimate for this year to a range between 4.5 per cent and 5 per cent this year compared with a range of 4 per cent to 4.5 per cent estimated in February.

This was taken by fixed income economists as a sign that the Fed may be willing to sacrifice higher inflation in aid of maintaining growth.

Mr Greenspan said yesterday that, although the risks of recession were low, they were somewhat higher than perceived earlier this year and a "shade larger" than the risk of an upturn in inflation.

He told the Senate Banking Committee the current curtailment of bank credit might be beginning to have "very real unwelcome effects" on the economy and said that the Fed would monitor the situation to maintain stable credit conditions.

This suggested the Fed would be prepared to ease money again.

Mr Greenspan confirmed the Fed had lowered its target for Federal Funds to 8 per cent at the end of last week from the 8 ¼ per cent which has prevailed for most of this year.

■ Domestic buying of cash Bunds led a ¼-point rally in the German bond market yesterday, analysts said, after a flat producer prices index for June reassured investors that inflationary pressures were not growing.

In addition, concerns about supply have eased a touch, now that the next Bund issue will not emerge until next month, followed by the next Unity bond. "Any delay in supply will give a boost to the market," said Mr Andrew Dennis, an analyst at Chase Investment Bank. The Unity bond is now trading flat to the Bund.

Meanwhile, the tone of the bond market was also improved by a generous allotment of repurchase agreements, which caused call money rates to ease. Domestic buying centred on five and seven-year bonds, as investors took advantage of the hump in that area of the yield curve.

The yield on the 10-year Bund fell 10 basis points to 8.38 per cent, while the 10-year future on the London International Futures Exchange gained ¼ point to end around 85.42. The French bond market lost its initial impetus and again under-performed the German market. The 10-year future contract on the London International Financial Futures Exchange ended at 103, up ¾ point, as primary dealers covered short positions, traders said.

Some dealers are anticipating a ¼ point cut in the Bank of France's key intervention rate today, when it conducts its repurchase agreements. But analysts are sceptical, on the grounds that this would place excessive pressure on the franc given the current strength of the peseta and the lira.

■ Sterling's break through the DM3 level in early trading provided an initial boost for the gilts market. But the currency failed to hold that level and interest in gilts faded, as the prospect of further gilts issuance later this year lingered in the wake of Tuesday's public borrowing data. Prices ended little changed on the day.

The market is now unlikely to find a new trading range this week. June trade figures are due for release next Monday, which "could be the next make or break day," said Mr Chris Anthony, an economist at UBS Phillips & Drew.

● Sanwa Bank is to merge its two wholly owned London subsidiaries early next month into one company. The company will manage both banking and securities operations, Reuter reports from Tokyo.

The new company is to be called Sanwa International and will be capitalised at £120m.

It will be formed from the merger of Associated Japanese (International) and Sanwa International. The move is aimed at creating a stronger framework in the UK, Sanwa Bank said.

BENCHMARK GOVERNMENT BONDS

		Coupon	Red Date	Price	Change	Yield	Week ago	Month ago
UK GILTS		10.000	4/93	94-16	+1/32	12.41	12.60	12.57
		10.500	5/99	93-06	-	11.75	11.94	11.85
		9.000	10/08	85-07	+1/32	10.87	11.01	10.95
US TREASURY *		8.875	05/00	102-12	-15/32	8.51	8.53	8.49
		8.750	05/20	102-04	-33/32	8.55	8.53	8.46
JAPAN	No 119	4.800	6/99	86.8268	-0.162	7.27	7.22	7.05
	No 2	5.700	3/07	90.5539	-0.140	6.92	6.85	6.65
GERMANY		7.750	02/00	95.9000	+0.600	8.37	8.69	8.88
FRANCE	BTAN	9.000	02/95	96.8251	+0.175	9.86	10.02	10.08
	OAT	8.500	03/00	93.5800	+0.380	9.53	9.70	9.74
CANADA *		9.750	05/00	94.4000	-0.050	10.68	10.73	10.89
NETHERLANDS		9.000	05/00	102.3100	+0.430	8.63	8.82	9.00
AUSTRALIA		12.000	7/99	93.7586	-0.173	13.20	13.30	13.60

London closing, *denotes New York closing session

Yields: Local market standard Prices: US, UK in 32nds., others in decimal

Technical Data/ATLAS Price Sources

FT/AIBD INTERNATIONAL BOND SERVICE

Listed are the latest international bonds for which there is an adequate secondary market. Closing prices on July 18

U.S. DOLLAR STRAIGHTS	Issued	Bid	Offer	Chg. day	Yield
ABBEY NATIONAL 8 7/8 93	150	99¼	99¾		9.17
ALBERTA PROVINCE 9 3/8 95	600	101¼	101¾		9.05
AMERICAN GENERAL 9 3/4 95	100	97¾	99¼	+¼	10.38
AUSTRALIA 11 1/4 00	100	108¼	109¼	+¼	9.89
AUSTRIA 8 1/2 00	400	95⅛	95¼	−⅛	9.24
BANK OF TOKYO 8 3/8 96	100	95¾	96¼		9.32
BELGIUM 9 1/8 92	400	100¾	101		8.77
BFCE 7 3/4 97	150	93¼	93⅝	−⅛	9.14
BNP 8 5/8 94	300	98⅛	98⅝	+⅛	9.04
BP CAPITAL 9 5/8 93	150	100⅞	101⅜		9.17
CANADA 9 96	1000	100⅝	101	−⅛	8.83
CCCE 9 1/4 95	300	101⅛	101½		8.92
COUNCIL EUROPE 8 96	100	95	95¼	−⅛	9.11
CREDIT FONCIER 9 1/2 99	300	101½	101⅞	−¼	9.24
DENMARK 0 98	250	49	49½	−⅛	9.27
DENMARK 8 1/4 94	150	97½	97¾	+⅛	9.00
ECSC 8 1/4 96	193	96¼	96½		9.06
EEC 7 1/4 93	250	96½	96⅞		8.77
EIB 7 3/4 96	250	94¼	94½		9.07
EIB 10 97	250	104½	104⅞	−⅛	9.14
ELEC DE FRANCE 9 98	200	99½	99⅞	−⅛	9.08
EUROFIMA 9 1/4 96	100	100⅞	101½	−⅛	9.02
EXPORT DEV CORP 9 1/2 98	150	101⅝	102	−⅛	9.20
FINLAND 7 7/8 97	200	93¼	93⅝	+⅛	9.31
FINNISH EXPORT 9 3/8 95	200	101⅛	101⅜		9.02
FORD MOTOR CREDIT 9 1/2 93	300	101⅛	101⅝		9.06
GEN ELEC CAPITAL 9 3/8 96	300	101⅛	101⅝	−⅛	9.06
GMAC 9 1/8 96	200	100¼	100½		9.08
HALIFAX 9 1/2 93	200	100⅞	101½		9.13
IBM WORLD TRADE 7 5/8 93	150	95¼	96½		9.13
IND BK JAPAN FIN 7 7/8 97	200	93	93⅜		9.31
INTER AMER DEV 7 5/8 96	200	92⅞	93¼	−⅛	9.18
ITALY 8 1/2 94	1500	98⅞	98⅝	+⅛	8.92
JAPAN DEV BK 8 94	150	97⅛	97½	+⅛	8.90
KANSAI ELEC PWR 10 96	350	102⅞	103⅛		9.33
LTCB 8 5/8 93	150	99⅜	99⅞		8.86
NEW ZEALAND 8 93	100	97⅝	98		9.05
NIPPON CRED BK 9 3/4 93	150	101⅝	102⅛		9.12
NIPPON TEL & TEL 9 3/8 95	200	101⅛	102	−⅛	9.01
NISSAN ACCEPT CORP 9 1/4 91	150	99⅞	100⅛		9.35
OLYMPIA & YORK 8 1/4 96	435	91⅛	92⅛	+⅛	10.31
ONTARIO HYDRO 11 5/8 94	200	106⅝	107½		9.31
OSTER KONTROLLBANK 8 1/8 93	200	98⅛	98⅝	+⅛	8.80
PRUDENTIAL RLTY SECS 0 99	365.216	46⅞	47⅛		9.37
QUEBEC HYDRO 9 3/4 98	150	101⅞	102⅛	−⅛	9.42
QUEBEC PROV 9 98	200	98	98½		9.36
SAINSBURY 9 1/8 96	150	99½	99⅞		9.22
SAS 10 99	200	101⅞	102⅛	−⅛	9.74
STATE BK STH AUST 9 1/4 93	100	100⅛	101		9.09
SUMITOMO TST 7 3/4 91	100	98⅛	98⅝		9.05
SWEDEN 8 1/8 94	150	96⅝	97⅝	+⅛	9.15
SWEDISH EXPORT 9 5/8 93	100	101⅝	101⅞		8.91
TOKYO METROPOLIS 8 1/4 96	200	95⅞	96⅛	−⅛	9.15
WORLD BANK 8 3/8 99	1500	96⅛	96⅛	−⅛	9.12
WORLD BANK 8 3/4 97	1500	99⅝	99⅞	−⅛	9.07
XEROX CORPN 8 3/8 96	100	93⅞	95		9.75

DEUTSCHE MARK STRAIGHTS	Issued	Bid	Offer	Chg. day	Yield
ASIAN DEV BANK 8 94	200	96½	96¾	+⅛	9.03
AUSTRIA 6 98	400	84⅛	85	+⅛	8.80
CNT 6 1/8 98	200	84⅝	84⅞	+⅛	8.82
CREDIT FONCIER 6 3/4 99	500	88	88½	+⅛	8.77
DEUTSCHE BK FIN 5 5/8 96	750	86⅛	86⅝	+⅛	8.65
EEC 5 3/8 93	300	92	92		9.12
EIB 6 1/8 96	300	87⅞	88⅛		8.83
EIB 6 7/8 95	300	91½	91⅞	+⅛	8.93
EUROFIMA 6 1/4 98	400	85½	85⅞	−⅛	8.85
FERRO DEL STAT 5 3/8 93	500	92⅞	92⅞		8.83
IND BK JAPAN FIN 5 5/8 96	200	85	85½	+⅛	9.07
INTER AMER DEV 7 1/4 99	300	91	91⅜	+⅛	8.74
LUFTHANSA INT FIN 5 7/8 98	500	83⅝	83⅞		8.88
QUEBEC HYDRO 6 3/4 99	300	86⅛	86⅝	+⅛	9.12
SWEDEN 6 1/8 98	300	85⅛	85⅝	+⅛	8.82
WORLD BANK 0 15	2000	15	15⅛		7.75
WORLD BANK 5 3/4 96	300	86⅛	87⅛	+⅛	8.81
WORLD BANK 7 1/8 95	500	95	95⅛	+⅛	8.49

SWISS FRANC STRAIGHTS	Issued	Bid	Offer	Chg. day	Yield
ASIAN DEV BANK 6 10	100	89			7.03
AUSTRIA 4 5/8 98	100	88	88½		6.69
COUNCIL EUROPE 4 3/4 98	250	89			6.64
DENMARK 3 3/4 91	100	97	98		8.74
EEC 5 1/2 00	100	92	93½		6.58
EIB 5 3/4 93	100	97	97¾	−½	6.79
FINLAND 5 3/8 95	150	94	94¼	+¼	6.75
JAPAN DEV BK 5 1/2 94	100	96½	97½	+½	6.62
MOUNT ISA FINANCE 5 3/4 94	100	89½	90½	−1½	9.12
NEW ZEALAND 4 7/8 99	200	86⅝	87½	+¼	7.02
POLLY PECK INTL FIN 6 1/4 96	100	85	85¾		9.83
QUEBEC HYDRO 5 08	100	80	80½	+½	7.00
SKANDINAVISKA ENSK 6 1/2 95	100	98	99	−1½	7.02
WORLD BANK 6 1/4 92	100	98½	99½		6.98
WORLD BANK 7 1/4 92	100	100½	100¾	−¼	6.97

YEN STRAIGHTS	Issued	Bid	Offer	Chg. day	Yield
AUSTRIA 4 3/4 94	30000	92¼	93	−½	7.15
CANADA 4 3/8 92	80000	95⅛	95⅝		7.16
CREDIT FONCIER 5 1/4 94	20000	92⅝	93⅛	−⅛	7.24
DENMARK 7 95	40000	99⅝	99⅞	−⅛	7.08
EIB 4 5/8 94	40000	92	92¼	−⅛	7.09
GENERAL ELECTRIC 5 3/4 93	35000	96¼	96⅝		7.31
INTER AMER DEV 7 1/4 00	30000	101¼	102		6.99
ITALY 5 3/4 92	150000	97⅛	98	−⅛	7.27
KANSAI ELEC PWR 4 5/8 94	60000	91⅛	92⅛		7.31
NIPPON TEL & TEL 5 7/8 96	50000	94⅝	95⅛	−⅛	6.92
NORWAY 5 1/8 95	50000	92½	92⅞	−⅛	7.04
SWEDEN 5 5/8 95	20000	93⅝	94¼		7.10
WORLD BANK 6 3/4 00	50000	99¼	99⅞		6.85

OTHER STRAIGHTS	Issued	Bid	Offer	Chg. day	Yield
COUNCIL EUROPE 7 94 LFr	600	92⅞	93⅛		9.58
KREDIETCORP 7 93 LFr	1000	93½	94½		9.56
WORLD BANK 8 96 LFr	1000	93⅞	94⅞		9.41
AMRO BANK 6 1/4 92 Fl	150	94⅛	94⅞		9.49
DENMARK 8 1/2 91 Fl	100	99⅛	100		9.58
HEINEKEN 7 5/8 94 Fl	150	95⅛	96		9.10
PHILIPS GLOEILAMPEN 5 3/4 92 Fl	150	94⅞	95¼		9.45
RABOBANK 5 3/4 93 Fl	150	91⅛	92½		9.42
WORLD BANK 6 1/4 91 Fl	100	97½	98⅛		10.26
ALBERTA PROVINCE 10 92 C$	500	95⅝	96⅛	+⅛	12.46
BCE INC 9 5/8 93 C$	300	93⅛	93⅝		12.67
BELL CANADA 10 5/8 99 C$	150	93⅛	93⅝	+⅛	11.86
BRITISH COLUMBIA 9 1/4 93 C$	150	93	93½	+⅛	12.48
EIB 10 1/8 98 C$	130	91⅞	92⅞	+⅛	11.77
FORD CREDIT CANADA 10 94 C$	100	92⅞	93⅜		12.32
GENERAL ELECT CAP 10 1/4 93 C$	175	94⅛	94⅝		12.45
MONTREAL TRUSTCO 8 1/2 92 C$	100	93	93⅞	−⅛	13.06
ONTARIO HYDRO 10 7/8 99 C$	500	95⅛	96	+⅛	11.68
QUEBEC PROV 10 1/2 98 C$	200	92⅞	93⅝	+⅛	11.86
ROYAL TRUSTCO 10 1/4 93 C$	100	94⅛	94⅝		12.69
SWEDEN 9 3/4 93 C$	250	94⅝	95¼		12.09
AUSTRIA 7 3/8 93 Ecu	125	93⅛	94⅛	−⅛	10.39
CNT 7 3/8 93 Ecu	250	92⅛	93⅛		10.57
CREDIT LYONNAIS 9 96 Ecu	125	96⅛	96⅝	+⅛	9.86
DENMARK 7 5/8 96 Ecu	250	89⅞	90⅜	+⅛	10.00
EEC 7 5/8 94 Ecu	200	92⅝	93⅛		10.14
EIB 10 97 Ecu	500	100⅛	100½	+⅛	9.90
ITALY 10 3/4 00 Ecu	1000	104⅞	105⅛	+⅛	9.93
SWEDEN 7 1/2 93 Ecu	250	93⅝	94		9.81
BMW FINANCE 14 1/2 92 A$	100	100⅛	100⅞		14.13
COUNCIL EUROPE 13 93 A$	50	99⅝	100⅛	−⅛	13.09
EKSPORTFINANS 12 3/8 95 A$	75	94⅛	95⅛	−⅛	13.90
FORD CRED AUST 13 93 A$	50	96⅛	97⅛		14.53
HEINZ 12 3/4 91 A$	100	97½	98⅛	−⅛	15.74
ICI 15 1/2 92 A$	100	101½	102		14.45
NAT AUSTRALIA BANK 14 3/4 94 A$	150	100⅝	101⅛	−⅛	14.42
STATE BK NSW 14 1/4 99 A$	100	100⅛	101⅛		14.07
VOLKSWAGEN INTL 15 94 A$	100	102½	103		14.03
BARCLAYS JERSEY 9 1/2 93 £	250	91⅛	91⅜	+⅛	13.44
EIB 10 97 £	300	88	88⅛	+⅛	12.78
FORD CREDIT FUNDING 9 5/8 93 £	50	91⅛	91⅝	+⅛	13.67
INTER AMER DEV 11 3/8 95 £	75	94⅛	95⅛		12.87
ITALY 10 1/2 14 £	400	86⅛	87		12.22
LAND SECS 9 1/2 07 £	200	74⅝	75		13.34
LEEDS PERMANENT 9 1/4 93 £	50	90½	91	+⅛	13.43
NORWAY 10 1/2 94 £	200	92⅞	93⅛	+⅛	13.06
ROLLS-ROYCE 9 5/8 93 £	150	90½	91	+⅛	13.74
SAINSBURY 10 7/8 93 £	100	94⅛	94⅝		13.75
WORLD BANK 11 1/4 95 £	100	94½	94⅞	+⅛	12.82
ABBEY NATIONAL 0 96 NZ$	100	43	44		14.55
TELECOM NZ O/S FIN 13 1/8 93 NZ$	75	99	100		13.48
AIDC 7 7/8 93 FFr	600	93⅝	94⅛	+⅛	10.19
DENMARK 8 1/8 91 FFr	1000	97⅛	97⅞		10.16
EURATOM 7 5/8 98 FFr	500	86⅛	87⅛	+⅛	10.15

FLOATING RATE NOTES	Issued	Bid	Offer	C.cpn
ABBEY NATIONAL 1/16 00 £	150	99.95	100.03	15.0000
ALBERTA PROVINCE 1/32 93	500	99.90	100.00	8.4063
ALLIANCE & LEICS 0.08 94 £	300	99.89	99.93	15.3300
BANCO DI NAPOLI INT 91	150	99.96	100.06	8.8750
BANCO ROMA 0.03 01	200	95.25	95.56	8.4675
BELGIUM 1/16 97 DM	500	100.04	100.15	8.9375
BFCE −0.02 96	350	99.79	99.89	8.4175
BNP 05	300	98.63	98.75	8.3750
BRITANNIA 1/10 96 £	150	99.91	99.96	15.3500
CITICORP 1/4 98	500	95.30	95.80	8.5625
CITIZENS FED 0.15 96	100	99.29	99.86	8.7125
COMMERZBK O/S FIN 93	200	99.61	99.71	8.3125
DENMARK −1/8 96	1000	99.11	99.21	8.1875
FERRO DEL STAT 94	200	100.27	100.38	8.4375
HALIFAX 1/10 94 £	200	100.03	100.09	15.3500
MITSUI FIN ASIA 1/8 96	100	99.90	100.00	8.5625
MORGAN (JP) 1/4 97	250	99.65	99.99	8.5625
NAT WEST FIN 3/16 05	400	97.07	97.38	8.8125
NEW ZEALAND 93	500	99.42	99.55	8.2500
NORTHEAST SAVINGS 1/10 96	150	99.48	100.00	8.5375
PORTUGAL 0.05 93	700	99.90	100.00	8.4875
QUEBEC PROV 01	300	97.38	97.50	8.5000
RENFE 98	500	99.77	99.88	8.5000
SOCIETE GENERALE 96	300	99.25	99.35	8.6250
UNITED KINGDOM −1/8 96	4000	99.75	99.79	8.1250
WELLS FARGO 1/16 94	150	98.00	98.50	8.3750

CONVERTIBLE BONDS	Issued	Conv. price	Bid	Offer	Prem.
ARGYLL GROUP 4 1/2 02 £	60	2.95	101⅛	102⅛	+19.48
ASDA-MFI 4 3/4 02 £	100	1.64	106	107	+47.32
BURTON GROUP 4 3/4 01 £	110	3.15	104⅞	106	
EASTMAN KODAK 6 3/8 01	300	50.67	94½	95⅛	+16.43
GOODYEAR TIRE 6 7/8 03	150	80⅛	74	74⅞	+97.13
GRACE (WR) 6 1/4 02	150	42⅛	86½	87⅞	+23.00
GRAND MET 6 1/4 02 £	100	6.58	102⅞	103⅛	+2.13
HAWLEY 6 02 PREF	400	1.91	111½	112½	+8.72
HILLSDOWN 4 1/2 02 £	150	4.16	98½	99½	+37.97
INTL PAPER 5 3/4 02	200	68½	90⅞	91⅛	+20.79
LAND SECS 6 3/4 02 £	84	6.72	84⅛	85⅛	+6.66
METAL BOX 5 3/4 02 £	65	1.93	108⅝	109⅞	−6.82
MITSUBISHI BK 1 3/4 02	300	2727.1	91	93	+0.89
OGDEN 6 02	85	39.077	86½	87⅛	+29.58
PACIFIC DUNLOP 6 3/4 97	75	3.749	112⅞	113⅝	−3.16
TEXAS INSTRUMENTS 2 3/4 02	300	82⅞	77⅛	79	+61.82
THORN EMI 5 3/4 04 £	103	7.45	106⅞	107⅞	+5.74

* No information available - previous day's price

‡ Only one market maker supplied a price

STRAIGHT BONDS: The yield is the yield to redemption of the bid-price; the amount issued is in millions of currency units. Chg. day = Change on day.

FLOATING RATE NOTES: Denominated in dollars unless otherwise indicated. Coupon shown is minimum. Spread = Margin above six-month offered rate (three-month §above mean rate) for US dollars. C.cpn = The current coupon.

CONVERTIBLE BONDS: Denominated in dollars unless otherwise indicated. Cnv. price = Nominal amount of bond per share expressed in currency of share at conversion rate fixed at issue. Prem = Percentage premium of the current effective price of acquiring shares via the bond over the most recent price of the shares.

INTERNATIONAL CAPITAL MARKETS

Heady debut for Denmark Pta10bn matador issue

By Andrew Freeman

THE expected debut issue by a sovereign borrower in the burgeoning Peseta Matador market had an excellent reception from investors yesterday. Elsewhere, issuance in the Eurobond market was frustrated by a lack of swap opportunities and a handful of fungible deals dominated business.

INTERNATIONAL BONDS

The Pta10bn five-year deal for the Kingdom of Denmark was brought by Banesto and JP Morgan amid strong demand from a broad range of European accounts. The issue was smaller than expected, leading to speculation that the Spanish authorities had intervened in order to control the money-supply.

The bonds were priced at 101¾ with a 13¾ per cent coupon and in busy trading the paper was quoted by the lead managers at less ¼ bid to yield 13.35 per cent. Recent World Bank paper was yielding around 13.32 per cent. Proceeds were swapped into floating-rate D-Marks.

Two fungible deals emerged in the French franc sector. Cedit Commercial de France was the lead manager of a FFr1bn issue for Caisse Nationale des Telecommunications which will be fungible from the payment date with the existing FFr1bn 10-year 10 per cent deal.

The new tranche had a good reception, partly because the French Government bond market performed strongly, widening the yield spread of the new CNT bonds. CCF bought the issue at a 42 basis point spread, which by launch had widened to nearer 46 basis points, generous enough to attract strong demand.

A CCF official said the deal sold out very quickly, with unusually good demand from Germany, and the bonds were trading at less 1.80 bid, well inside full fees of 2 per cent. Later in the day, the bonds slipped slightly to less 1.85 bid in line with the market.

A FFr500m new tranche of Interfinance Credit National's FFr1bn 10¼ per cent three-year deal was brought by Banque Paribas Capital Markets at 35 basis points over Treasuries.

There was speculation that a single investor had taken most of the paper, with Caisse des Depots mentioned as the most likely buyer. The bonds traded on fees at less 1⅝ bid.

Bankers Trust was the lead manager of a swapped A$75m deal for Dutch State Mining which was trading on full fees at less 1¼ bid amid reasonable demand despite comment that the pricing was on the tight side.

Deutsche Bank Capital Markets launched a C$50m fungible deal to fill excess demand for its existing C$100m 11½ per cent five-year deal.

The asset-backed Carco Dealrs issue was increased to $650m by Swiss Bank Corporation following a meeting in Zurich to approve the extension of the deal's underlying Letter of Credit. The bonds continued to trade at a spread of around 80 basis points over Treasuries.

In Switzerland, the World Bank issued a SFr200m seven-year deal via SBC to an average reception amid comment that the pricing was tight. SBC quoted the paper at less 1½ bid, on fees to co-managers.

A SFr80m deal with equity warrants for Sanyo Denki was launched to a fine reception, the first such issue since March when coupons were around 2¼ per cent. The paper was trading at a 3¼ point premium to its par issue price.

● The World Bank plans to tap global capital markets in fiscal 1991 for about the same amount it borrowed in the year ended June, 1990, AP-DJ reports from New York.

Ernest Stern, senior vice president for finance at the bank, said borrowings in the current year would total about $11.5bn.

The bank borrowed $11.72bn after currency swaps in 1989-90, up from $9.3bn in borrowings in 1988-89. The average after-swap cost of borrowings last year was 7.99 per cent, against 7.73 per cent previously.

Mr Stern said the bank would be forced to borrow more if there was an unexpected rise in the number of member countries falling far behind in their payments.

Soffex and DTB to introduce link-up

By Tracy Corrigan

THE Deutsche Terminborse (DTB) and the Swiss Options and Financial Futures Exchange (Soffex) are planning a link-up.

Initially, Soffex and DTB members will be able to join the "sister" exchange as non-clearing members. Clearing for these members will be carried out by local members.

The next stage will be a technical and functional network link-up, allowing members to trade directly on the sister exchange. This technical connection is still in "an exploratory phase," a Soffex spokesman said.

The technical groundwork for such a link-up is already in place, since DTB bought its software from Soffex.

● Soffex is to change its Swiss Market Index options to European-style from American-style. European options can only be exercised on the last trading day before expiry, while American options can be exercised at any time during the option's life.

The change, effective July 20, will not affect existing SMI options. The modification of SMI options is designed to facilitate the hedging of diversified share portfolios, as investors will be able to align their strategy with the expiry date. Equity options, which are not normally used to hedge portfolios, will continue to be American-style.

Soffex plans to introduce SMI futures this autumn.

Spain to reduce fund gains tax

SPAIN plans to cut tax on capital gains made by investment funds to one per cent from its present 13 per cent, making it one of the lowest in the European Community, Reuter reports from Madrid.

Secretary of State for Finance Pedro Perez said the measure, which should be implemented next year, will bring taxation levels for investment funds into line with those of Italy and Luxembourg.

US bank plans novel securitisation

By Janet Bush in New York

CHEMICAL Bank said yesterday that it had set up a programme to securitise the credit card receivables of Allied Stores, currently preparing a reorganisation within Chapter 11 of US bankruptcy law.

The plan is the first time that a company in bankruptcy proceedings has been able to access the investment grade, asset-backed commercial paper market, according to Chemical, and could become a prototype for companies in Chapter 11.

"We structured the transaction with a dual purpose in mind - to enhance Allied's relationship with the financial market place while the company prepared a plan of reorganisation and to provide the company with receivables financing at highly competitive rates," said Mr Michael Malter, vice president at Chemical Securities.

Allied Stores filed for Chapter 11 in January along with Federated Department Stores. Both bought by Campeau with billions of junk bond debt, they failed under the weight of interest payments.

The new arrangement will replace the company's existing $700m receivables facility with Citibank which is scheduled to expire on July 31. Chemical Bank said that the switch would save Allied around $10m a year.

Bank facilities to support the securitisation programme were arranged and syndicated by Chemical Bank. Mason Funding, an independent, special purpose company, has authorised an initial three-year programme of $650m in commercial paper which can be increased to $721m. The paper's credit is being enhanced partly through a surety bond issued by Financial Guaranty Insurance Company, a subsidiary of GE Capital, as well as a letter of credit from a consortium led by Chemical.

Chemical provided $300m in inventory financing for the retailer in Jauary. Chemical and other syndicate members have agreed to extend by two years the term of the inventory facility to May 5, 1993.

The transaction announced yesterday is subject to the approval of the US bankruptcy court in Ohio.

Mexican bonds fund launched

By Stephen Fidler, Euromarkets Correspondent

CITICORP and Lazard Freres have launched a fund of $50m-$75m to invest in Mexican bond issues.

The focus of the fund, the Mexican Income Fund, will be to invest primarily in recent dollar-denominated bond issues by private sector Mexican companies. However, it will also be allowed to buy public sector debt, including so-called Brady bonds, in March exchanged for bank debt in the country's debt restructuring deal.

Yields on Mexican bonds are currently between 14 and 16 per cent. The aim would be to enhance the yield by arranging a secured bank loan to allow more securities to be purchased, although this would be offset by the fees. Front-end fees are 6 per cent and there will be an 80 basis point annual investment advisory fee and some annual fees for directors.

A modest revival of investor interest in Mexican and other Latin American bonds has been seen over the last 12 months, leading to a decline in bond yields. Some of these investors are Latin American nationals investing capital held abroad. Despite its debt problems, Mexico has never rescheduled its bond debt.

The fund will be subject to a number of rules, limiting the percentage of funds which can be concentrated in any one asset. Only 10 per cent of the fund will be allowed in peso-denominated assets and a maximum of 10 per cent will be in other non-dollar assets – for example D-Mark denominated bonds. A maximum 25 per cent can be invested in non-bond debt – for example bank loans.

The fund will be listed on the Amsterdam Stock Exchange and the investment adviser will be Impulsora del Fondo Mexico. Investors will have the option of redeeming the investment at net asset value at the end of 1993 and annually thereafter.

CBOT amends reinsurance proposals

By Barbara Durr in Chicago

AFTER feedback from the insurance industry, the Chicago Board of Trade (CBOT) has decided to amend and add to its proposal for reinsurance futures.

The original proposal, which was sent last month for regulatory approval to the Commodity Futures Trading Commission (CFTC), would have used certificates for delivery.

But the CBOT has now scrapped certificates in favour of cash delivery. This is to eliminate possible regulatory concerns that the certificates could be traded in off-exchange, unregistered markets.

The cash delivery amount, computed using all the policies in an index, would be an average of the differences on losses and premiums per $100,000 contract unit. Delivery would be on the last day of trading.

The CBOT has added home owners insurance and commercial (physical) property damages to its original proposals of futures contracts for auto and health insurance. It wants to develop options on the futures of all four of these contracts.

The exchange admits it is still encountering significant scepticism about reinsurance futures from the industry. CBOT staff say a massive educational and marketing effort will have to take place before the futures are launched.

The exchange appears determined to move ahead with its idea and is confident a market exists for this product.

Plan to set up Soviet exchange

TWO groups of entrepreneurs have taken steps to create the first Soviet stock exchange for 60 years, the unofficial Postfactum news agency said, Reuter reports from Moscow.

It said the Moscow commodities exchange and the Moscow Banking Union, a conglomerate of various new commercial banks, signed a letter of intent to create a stock exchange section. The section will be housed in the newly formed commodities exchange and will eventually become a fully-fledged bourse. The agency did not say when the exchange would start operating.

Officials at the commodities exchange and banking union could not be reached for confirmation.

Italian finance group buys into Warburg Soditic unit

By Haig Simonian in Milan

GEMINA, the Italian investment and financial services group controlled by Fiat, is expanding its investment banking activities through the purchase of a 30 per cent stake of a new holding company incorporating Fineurop, the Italian financial services boutique which is 90 per cent owned by Warburg Soditic of Switzerland.

Gemina Capital Markets, the group's investment banking operation, is taking responsibility for Fineurop's treasury and swaps activities, while handing over its syndicated loan and export credit operations to Fineurop. Meanwhile the two companies plan to study further joint activities in arbitrage and broking.

Fineurop specialises in trade and corporate finance business. The company already works with the Fiat group in a joint venture supplying export credit for Fiat products.

● Iveco, the commercial vehicles subsidiary of Italy's Fiat group, is not planning to reopen negotiations with the Spanish Government over Enasa, the Spanish state-owned truck producer, following the recent difficulties surrounding Enasa's sale to Daimler-Benz and MAN of West Germany.

NEW INTERNATIONAL BOND ISSUES

Borrower	Amount m.	Coupon %	Price	Maturity	Fees	Book runner
PESETAS						
Denmark, Kingdon of(a)♦	10bn	13¾	101¾	1995	1⅝/1½	Banesto/J.P. Morgan
FRENCH FRANCS						
Caisse Nat.d'Telecom.(b)♦	1bn	10	102	2000	2/0.1	CCF
Interfin.Credit Nat.(c)♦	500	10¼	101.45	1993	1⅜/⅞	Banque Paribas Cap.Mkts
AUSTRALIAN DOLLARS						
DSM NV(a)♦	75	14¾	102	1994	1¼/1⅛	Bankers Trust Int.
CANADIAN DOLLARS						
Deutsche Bank Finance(d)♦	50	11½	100.20	1995	1⅞/1¼	Deutsche Bank Cap. Mkts
SWISS FRANCS						
World Bank(a)★★♦	200	7	102	1997	1½	Swiss Bank Corp.
Sanyo Denki Co.(a)★★♦	80	4¼	100	1995	1⅝	Swiss Bank Corp.
US DOLLARS						
Carco Dealrs W'sale Tst(e)♦	650	9¼	99.72	1996	1⅞/1.725	Swiss Bank Corp.
RPM Inc.(f)§♦	50	6¾	100	2005	2½/1½	PaineWebber Int.

★★Private placement. ♦With equity warrants. §Convertible. ♦Final terms. a) Non-callable. b) Fungible with existing FFr1bn deal launched early April from 28/8/90. Non-callable. c) Fungible with two previous tranches totalling FFr1bn from 13/8/90. d) Fungible with existing C$100m deal launched in June from 1/8/90. Non-callable. e) Issue increased from $525m. Callable at par after 5 yrs at SBC's option, if call not exercised, deal pays Libor +50bp in last year. f) Issue amount decreased from $75m. Coupon was indicated (5½-6¼). Conversion price $25.50. Conversion premium 15.25%. Callable at 103 declining by 1% per annum to par in 1996, at any time from July 15 1993; but not before 15 July 1995 subject to the 130% rule.

LONDON MARKET STATISTICS

FT-ACTUARIES SHARE INDICES

	EQUITY GROUPS & SUB-SECTIONS (Figures in parentheses show number of stocks per section)	Wed Jul 18 1990 Index No.	Day's Change %	Est. Earnings Yield% (Max.)	Gross Div. Yield% (Act at (25%))	Est. P/E Ratio (Net)	xd adj. 1990 to date	Tue Jul 17 Index No.	Mon Jul 16 Index No.	Fri Jul 13 Index No.	Year ago (approx) Index No.
1	CAPITAL GOODS (196)	895.55	−0.1	12.94	5.19	9.44	22.72	896.56	893.08	883.34	999.99
2	Building Materials (26)	1128.85	+0.6	13.53	5.33	9.12	30.01	1122.62	1120.01	1104.54	1232.33
3	Contracting, Construction (36)	1461.53	−0.4	16.39	5.63	7.94	35.19	1467.93	1446.47	1432.56	1668.33
4	Electricals (10)	2470.73	+0.4	11.62	5.39	10.59	61.43	2459.87	2437.72	2399.35	3001.64
5	Electronics (26)	1834.89	−0.6	10.29	4.39	12.65	51.23	1845.89	1854.23	1838.29	2256.09
6	Engineering-Aerospace (8)	483.86	−1.0	13.42	4.86	8.88	9.54	488.85	485.61	477.14	0.00
7	Engineering-General (46)	491.25	......	11.98	5.21	10.11	11.34	491.08	488.71	485.04	0.00
8	Metals and Metal Forming (6)	494.54	+0.2	23.35	6.79	5.21	16.45	493.64	488.74	482.21	527.44
9	Motors (14)	361.20	−0.6	15.38	6.37	7.57	9.81	363.47	363.27	360.98	350.31
10	Other Industrial Materials (24)	1640.16	......	10.76	4.92	10.74	38.49	1640.35	1633.20	1616.63	1722.22
21	CONSUMER GROUP (178)	1332.00	−0.6	9.11	3.79	13.57	21.74	1339.52	1331.25	1315.96	1305.88
22	Brewers and Distillers (22)	1642.45	−0.2	9.27	3.55	12.96	23.74	1646.36	1636.65	1620.60	1429.19
25	Food Manufacturing (20)	1125.15	−0.3	10.10	4.21	12.26	22.71	1128.41	1117.59	1101.25	1210.69
26	Food Retailing (16)	2614.73	+0.1	8.69	3.15	14.73	33.61	2612.28	2582.04	2548.58	2500.17
27	Health and Household (15)	2636.85	−1.5	6.52	2.63	18.24	25.10	2675.99	2662.11	2632.01	2328.26
29	Leisure (32)	1462.31	−0.2	9.92	4.22	12.28	32.35	1465.44	1455.31	1449.80	1711.96
31	Packaging & Paper (12)	621.64	−0.5	10.71	5.53	11.49	12.94	625.01	621.72	616.39	596.16
32	Publishing & Printing (16)	3613.53	+0.3	9.96	5.11	12.54	81.93	3604.45	3582.23	3545.61	3642.61
34	Stores (34)	824.54	−1.0	10.76	4.54	12.04	15.90	832.62	832.16	817.97	873.08
35	Textiles (11)	493.99	−0.2	12.47	7.28	10.12	18.26	495.13	493.72	495.16	557.62
40	OTHER GROUPS (106)	1199.36	−0.9	10.87	4.95	11.09	20.09	1210.20	1207.87	1202.93	1188.51
41	Agencies (17)	1698.89	−0.9	5.94	2.25	20.37	15.75	1714.50	1746.00	1725.13	1388.23
42	Chemicals (23)	1295.88	−0.6	10.85	5.12	10.78	31.87	1304.01	1302.63	1302.30	1307.17
43	Conglomerates (15)	1662.56	......	10.26	6.01	11.72	31.95	1661.67	1653.27	1632.74	1712.37
44	Transport (13)	2344.99	......	10.50	4.42	12.10	49.33	2344.97	2326.10	2307.55	2528.01
46	Telephone Networks (2)	1240.89	−2.1	10.81	4.54	12.04	3.78	1267.07	1263.75	1256.35	1097.10
47	Water (10)	1908.94	−0.8	16.81	7.09	6.66	68.12	1924.34	1905.74	1974.33	0.00
48	Miscellaneous (26)	1823.21	−1.2	12.16	4.95	9.37	38.44	1845.08	1843.03	1835.27	2025.71
49	INDUSTRIAL GROUP (480)	1193.83	−0.6	10.57	4.49	11.55	22.23	1200.55	1195.39	1184.61	1214.11
51	Oil & Gas (20)	2357.91	−0.4	12.46	5.23	10.52	46.50	2366.96	2392.59	2375.26	2176.34
59	500 SHARE INDEX (500)	1291.50	−0.5	10.84	4.59	11.40	24.26	1298.45	1295.58	1284.22	1295.86
61	FINANCIAL GROUP (108)	820.36	+0.2	–	5.58	–	21.27	819.08	810.04	804.24	785.77
62	Banks (9)	883.89	+0.7	18.53	6.10	7.07	25.62	877.85	863.36	856.78	769.98
65	Insurance (Life) (7)	1501.24	+0.7	–	4.91	–	36.94	1491.52	1479.96	1468.97	1191.67
66	Insurance (Composite) (6)	707.02	−0.5	–	5.85	–	19.43	710.33	700.81	695.60	629.98
67	Insurance (Brokers) (8)	961.89	−1.7	8.95	6.69	14.73	31.64	978.89	980.38	985.43	972.75
68	Merchant Banks (7)	443.08	+0.5	–	4.58	–	10.76	441.08	437.74	437.78	359.28
69	Property (47)	1096.35	−0.5	7.99	4.31	16.07	19.57	1101.77	1096.43	1084.59	1387.37
70	Other Financial (24)	290.89	+0.1	10.48	6.73	12.36	8.66	290.53	290.29	289.54	378.18
71	Investment Trusts (66)	1233.50	......	–	3.11	–	17.97	1233.64	1230.54	1225.69	1206.98
91	Overseas Traders (5)	1453.35	+1.2	9.69	6.29	12.33	44.49	1436.78	1426.22	1429.56	1420.38
99	ALL-SHARE INDEX (679)	1177.97	−0.4	–	4.70	–	23.31	1182.81	1178.63	1168.82	1170.28

	Index No.	Day's Change	Day's High (a)	Day's Low (b)	Jul 17	Jul 16	Jul 13	Jul 12	Jul 11	Year ago
FT-SE 100 SHARE INDEX‡	2402.0	−13.0	2424.8	2401.7	2415.0	2406.5	2382.2	2370.5	2360.5	2292.5

FIXED INTEREST

	PRICE INDICES	Wed Jul 18	Day's change %	Tue Jul 17	xd adj. today	xd adj. 1990 to date
	British Government					
1	Up to 5 years	115.61	+0.03	115.58	–	7.20
2	5-15 years	122.28	−0.03	122.32	–	7.27
3	Over 15 years	126.15	+0.02	126.12	–	6.15
4	Irredeemables	142.71	+0.12	142.54	–	7.35
5	All stocks	122.17	....	122.17	–	7.23
	Index-Linked					
6	Up to 5 years	146.90	−0.09	147.03	–	1.49
7	Over 5 years	135.88	−0.30	136.29	–	2.51
8	All stocks	136.60	−0.28	136.99	–	2.43
9	Debentures & Loans	101.08	+0.10	100.98	–	6.22
10	Preference	75.11	+0.08	75.05	–	3.58

	AVERAGE GROSS REDEMPTION YIELDS		Wed Jul 18	Tue Jul 17	Year ago (approx.)
	British Government				
1	Low Coupons	5 years	10.73	10.74	9.82
2		15 years	10.72	10.73	9.29
3		25 years	10.72	10.73	9.14
4	Medium Coupons	5 years	12.02	12.01	10.63
5		15 years	11.21	11.20	9.72
6		25 years	10.87	10.87	9.32
7	High Coupons	5 years	12.12	12.12	10.74
8		15 years	11.45	11.44	9.94
9		25 years	11.09	11.08	9.52
10	Irredeemables	†	10.79	10.80	9.17
	Index-Linked				
11	Inflation rate 5%	Up to 5yrs.	5.43	5.38	3.35
12	Inflation rate 5%	Over 5 yrs.	4.33	4.31	3.59
13	Inflation rate 10%	Up to 5 yrs.	4.25	4.19	2.53
14	Inflation rate 10%	Over 5 yrs.	4.14	4.11	3.41
15	Debs & Loans	5 years	13.60	13.95	12.41
16		15 years	12.81	12.80	11.83
17		25 years	12.54	12.53	11.31
18	Preference	†	12.63	12.64	10.30

‡Opening index 2409.0; 9 am 2413.0; 10 am 2422.8; 11 am 2421.4; Noon 2416.3; 1 pm 2415.1; 2 pm 2411.1; 3 pm 2407.0; 4 pm 2402.0; 4.10 pm 2402.2; (a) 10.35am (b) 3.51pm † Flat yield. Highs and lows record, base dates, values and constituent changes are published in Saturday issues. A list of constituents is available from the Publishers, The Financial Times, Number One, Southwark Bridge, London SE1 9HL, price 15p, by post 35p.

RISES AND FALLS YESTERDAY

	Rises	Falls	Same
British Funds	9	48	41
Corporations, Dominion and Foreign Bonds	9	0	14
Industrials	291	392	889
Financial and Properties	124	169	447
Oils	18	33	37
Plantations	1	0	9
Mines	12	73	79
Others	36	114	93
Totals	500	829	1,609

LONDON RECENT ISSUES

EQUITIES

Issue Price p	Am't Paid up	Latest Renunc. Date	1990 High	1990 Low	Stock	Closing Price p	+ or –	Net Div.	Times Cov'd	Gross Yield	P/E Ratio
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

FIXED INTEREST STOCKS

Issue Price £	Amount Paid up	Latest Renunc. Date	1990 High	1990 Low	Stock	Closing Price £	+ or –
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

RIGHTS OFFERS

Issue Price p	Amount Paid up	Latest Renunc. Date	1990 High	1990 Low	Stock	Closing Price p	+ or –
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

[illegible]

LONDON TRADED OPTIONS

THE EXPIRY of July stock options boosted turnover on the traded options market yesterday, while in the futures market dealing was dominated by Wall Street's retreat.

The expiry of July stocks was the main focus for option traders, with a large number of deals transacted during the morning. The expiry proceeded smoothly, market sources said, and lacked the excitement of recent June FT-SE 100 index expiry.

The September FT-SE Index closed at 2,469.0, down 7.0 on the day, after the New York markets had fallen back in early trading. September's premium over the cash index finished at 67 points up from 80 the previous day. Analysts estimate that 43 to 45 points of that premium is for fair value reflecting dividend payments and financing costs.

Total option turnover stood at 39,954 contracts compared with 37,168 during the previous session. Yesterday's total was made up of 25,926 calls and 14,028 puts. Of the top five most actively traded stocks, three had July as their busiest series.

But the busiest contract was the European-style FT-SE 100 Index. A total of 7,228 lots changed hands, of which 3,160 were calls and 4,068 were puts. The March 2,725 puts were the busiest, having traded 2,020.

Market makers initially dominated trading in the Euro-FT-SE and floor brokers were later encouraged to join in. A banking trade, which accounted for nearly 8,000 contracts, was executed. This involved the purchase of the March 2,625 calls; the sale of puts in the same series; the sale of the March 2,725 calls; and the purchase of puts in the same series.

Analysts said that this deal, known as a "box" trade, was an interest rate hedge.

However, despite its size it failed to move the underlying market.

Among the other options, the FT-SE Index traded 4,072 lots, of which 2,715 were calls and 1,357 were puts.

The July 2,400 calls were the busiest, with 832 changing hands.

Option		Calls Jul	Calls Oct	Calls Jan	Puts Jul	Puts Oct	Puts Jan
Alld Lyons (*504)	500	6	36	50	1½	17	22
	550	1	13	28	48	49	50
	600	1	6	15	98	98	98
ASDA (*116)	110	6	12	17	1	5	7
	120	1	6	13	5	11	13
	130	1	–	–	15	–	–
Brit. Airways (*216)	200	17	28	33	1	4	7
	220	½	14	21	4	11	14
	240	1	–	–	24	–	–
Utd. Biscuits (*364)	330	35	47	57	1	5	9
	360	5	22	35	1	14	18
	390	1	11	21	28	31	34
Unilever (*714)	650	67	88	109	½	5	9
	700	15	46¼	73¼	1	14¼	22½
	750	½	20	45	35	42	47½
Ultramar (*338)	330	10	25	42	¼	12	18
	360	¼	13	27	24	28	32
	390	¼	7	–	54	55	–
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

Option		Calls Sep	Calls Dec	Calls Mar	Puts Sep	Puts Dec	Puts Mar
Abbey Nat. (*228)	200	33	38	43	3½	4	6
	220	15	23	29	8	9	12
Amstrad (*68)	60	11½	14½	17	1½	3½	4½
	70	5	8½	11½	6	8	9
Barclays (*422)	420	–	–	45	–	–	27
	429	14	28	–	25	27	–
Blue Circle (*242)	240	15	23	31	9	14	17
	260	7	13	21	23	28	30
British Gas (*222)	220	6½	13½	19	9½	12½	14
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

TRADITIONAL OPTIONS

● First Dealings July 16
● Last Dealings July 27
● Last Declarations Oct. 18
● For settlement Oct. 29

For rate indications see end of London Share Service

Calls in Berisford Intl. and Hawthorn Leslie. Puts in BWD Secs. and Sema. Puts and calls in Broadwell Land and Hunterprint.

Perrier's problems rebound on cider maker

Bulmer below estimates with £12m

By Philip Rawstorne

THE WITHDRAWAL of Perrier water and production problems which led to the recall of its one-litre cider bottles hit profits at HP Bulmer, the Hereford-based cider maker.

Bulmer, which distributes Perrier in the UK, yesterday reported lower-than-expected pre-tax profits of £12.01m for the year ended April 27 1990, 14 per cent up on the previous year's £10.54m.

Analysts estimated that the problems had reduced the company's profits by more than £1m.

Mr John Rudgard, group managing director, said yesterday that the reintroduction of Perrier had got off to a good start but it was likely to be some time before the number of stockists reached former levels.

Operating profits increased by 25 per cent to £17.81m (£14.05m) on turnover nearly 16 per cent ahead at £226.41m (£195.9m).

In a record year for cider consumption, Bulmer's cider sales out-performed the 9 per cent market growth. Operating profits from cider and fruit juices were 32 per cent higher at £10.13m.

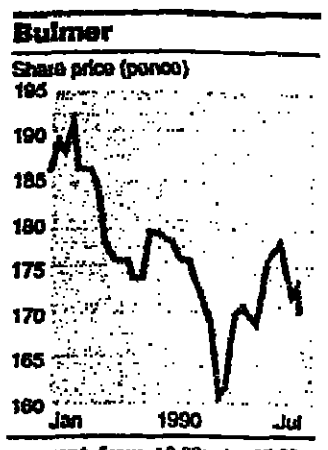
Mr Esmond Bulmer, chairman, said: "The decision to invest more money behind our leading brands, Strongbow and Woodpecker, is beginning to show results."

With sales since the turn of the year showing a 10 per cent increase on the 1989 period, Mr Bulmer added: "We now feel that the underlying trend in the cider market is upward."

The company had substantially increased its sales and distribution force to take advantage of the freer pub market, he said, and first results were encouraging.

The sale of the group's Valencio juice business in Australia yielded a £1.28m extraordinary gain and helped to reduce borrowings. Net indebtedness at the year end was £9.4m, representing 14 per cent of shareholders' funds.

Earnings per share rose 35 per cent from 10.33p to 13.95p. A recommended final dividend of 4.77p brings the total to 7.65p, an increase of 10 per cent.



● COMMENT

Perrier may dilute Bulmer's profit performance for longer than expected – perhaps until Sainsbury's demands for relabelling are satisfied – but the core business looks strong. Bulmer's strategy of investing more money in marketing its cider – £14.5m this year – and praying for more sunshine to encourage its consumption is still paying off in increased sales. Draught Strongbow volumes are currently running 19 per cent ahead of a year ago. Its soft drinks brands, Orangina and Kiri, are making progress and should benefit from the introduction of diet versions. New plant due to become operational later this year will help the group take advantage of the worldwide demand for pectin. Management focus on these central activities has been sharpened by the withdrawal from the UK wines and spirits market and the disposal of its Australian fruit juice business. Analysts expect profits for the current year of between £13.8m and £14.5m, with earnings per share of 15.1p to 15.8p giving a prospective p/e ratio of about 11, in line with the market.

Ansbacher more than doubles to £5.1m

By David Lascelles, Banking Editor

HENRY ANSBACHER, the merchant banking group where a controlling stake is currently up for sale, yesterday reported pre-tax profits of £5.1m for the half year ended June 30.

That was more than double the £2.2m returned for the first half of the previous year, which was depressed by special factors. For the whole of the 1989 year, Ansbacher earned £10.14m.

Mr Richard Fenhalls, chief executive, said that the bulk of profits had come from the group's offshore trust banking business as well as its London banking operations. Other areas of operations, such as mergers and acquisitions, had done less well.

Merchant banking disclosed a result of £4.5m (up from £2.2m). Other group income amounted to £1.7m (£1.1m). Central costs were £1.2m (£900,000).

The controlling stake of 62 per cent has been put up for sale by the group interests of Pargesa, Groupe Bruxelles Lambert and Banque Internationale a Luxembourg. A sales memorandum has been dispatched to a number of would-be purchasers and expressions of interest are expected next week.

The list includes institutions from the US, Canada, the Far East, Japan, Europe and Scandinavia. The sale is expected to be concluded by the end of September.

Store increases help Cityvision advance by 81% to £8.37m

By Vanessa Houlder

CITYVISION, owner of the UK's biggest chain of video film hire stores, increased pre-tax profits by 81 per cent from £4.62m to £8.37m for the six months to May 31. Turnover more than doubled from £16.89m to £35.61m.

Like-for-like growth in the video hire stores contributed a 5 per cent increase in turnover. The rest stemmed from an increase in the number of film hire stores – up from 508 last November to stand now at 775 – helped in equal measure by acquisitions and new store openings.

Mr Terry Norris, managing director, said he was confident about growth prospects in the second half. He said that the highly fragmented UK video film hire market continued to offer opportunities and wider ownership of video recorders was increasing its customer base.

Mr Norris said that Cityvision, which already has a market share of 15 per cent, had set itself a target of 1,500 stores, or about 30 per cent of the market. The company, which has been expanding at a rate of five to seven stores a week, intends to slow down its rate of growth over the next few months to concentrate on refurbishment.

Cityvision, which currently has a turnover of £1m on video "sell-throughs" – the outright purchase of films – is considering a major expansion of this side of its business if a trial store proves successful.

The company is also planning a venture in continental Europe in the next six months.

Videoserve and Tredegars Home Entertainment, which supply videos to retailers, increased their market share.

Following the company's £25m rights issue in February, the company has no borrowings and £7m in the bank.

Mr Norris said that the Uniform Business Rate was expected to increase costs by 1 per cent of turnover over the next five years.

Fully diluted earnings per share increased from 2.68p to 3.87p. The dividend was doubled from an adjusted 0.25p to 0.5p.

● COMMENT

After a spectacular six-fold rise in 1988 and 1989, Cityvision's shares have shed 25 per cent of their value in the course of this year. Blame can be cast on the poor take-up of its rights issues, the woes of other video-related stocks and – perhaps most important – the way in which fast-moving, ambitious retailers have dropped out of fashion. But Cityvision, which now stands on a p/e of 10, assuming pre-tax profits of £23m and a share price of 109½p, does not look expensive. Admittedly, the video film market is becoming increasingly competitive and the full impact of cable and satellite has yet to be felt. But Cityvision has a strong balance sheet, scope to increase margins, and an ability to win market share from independents and smaller chains.

Government raises £150m in British Gas stake sale

By David Thomas, Resources Editor

The Government yesterday raised £149.7m by selling 68m shares in British Gas, about 1.6 per cent of the company's share capital.

It now has no shares in British Gas other than the special "golden share" held by Mr John Wakeham, Energy Secretary, and a few ordinary shares held for technical reasons.

SG Warburg bought 54m shares at 219.75p each in a bought deal, the first time the Government has used the device, a form of competitive tendering, to sell shares. The Treasury said this had allowed it to secure a better price.

Warburg placed the shares with about 60 institutions at an average price of 220.75p. The remaining 14m shares were sold to the trustees of British Gas's employee share scheme at 221.875p each.

British Gas shares closed at 222p, down 1p on the day.

The Government held on to a parcel of shares after the privatisation in 1986 in order to supply the "loyalty" or bonus shares available to shareholders taking up the offer.

NM Rothschild acted as its adviser in the share disposal.

AIM misses target and dives to £2.48m

By Clare Pearson

AIM GROUP, the aircraft interiors manufacturer which is closing down its troubled property development business, yesterday reported a sharp fall from £4.53m to £2.48m in pre-tax profits in the 12 months to end-April 1990.

After a £3.11m extraordinary provision mainly in respect of the discontinued property development business, it recorded a loss of £1.77m. Earnings per share were 10.8p (25.2p). Turnover stood at £47.89m (£51.08m).

The results fell slightly below market expectations, although the company had earlier warned profits would show a significant deterioration.

The shares shed 10p to 175p: a year ago, AIM launched a one-for-four rights issue at a price of 365p per share.

In spite of this performance, AIM is recommending an unchanged final dividend of 6.6p, making a same-again 9p for the year. However, directors speaking for about half the shares are accepting a scrip dividend alternative to the cash payment.

But Mr Jeff Smith, chairman, was striking an optimistic note on prospects yesterday. He said that both the dominant aviation division and contracting had started the year with "excellent order books."

Meanwhile, property disposals, which should be substantially completed this year, would sharply reduce gearing from the year-end level of more than 100 per cent.

As well as feeling the effects of the downturn in the property market, AIM also suffered problems in its other two divisions last year.

Aviation was hit during the year by the delay in the McDonnell Douglas MD-11 programme compounded by industrial action at Boeing and British Aerospace. But Mr Smith said deliveries had this year commenced on all major programmes.

Record turnover and profits at the contracting division were badly affected in the final quarter as an electrical contractor with which it was working went bankrupt. This cost AIM some £200,000.

Since the year-end, AIM has sold Mealstream (UK), its small-scale microwave oven business, to Merrychef, a commercial caterer, in return for a 25 per cent stake in the enlarged company.

Analysts at Barclays de Zoete Wedd are forecasting pre-tax profits of about £3.75m for the current year.

Brierley's IEP lifts holding in Budgens to more than 14%

By Maggie Urry

SIR RON Brierley's IEP Securities investment company has taken its stake in Budgens, the food retailer, from 9.4 per cent to 14.1 per cent.

The additional 4.12m shares were bought from the Merchant Navy Officers Pension Fund and other funds managed by Argosy Asset Management at a price of about 60p, valuing the stake at £2.47m.

Yesterday Budgens shares closed at 62p, unchanged on the day, valuing the whole of IEP's holding at £7.65m.

Mr Derek Pretty, Budgens' finance director, said that he did not expect any change in the company's relationship with IEP as a result of the increased stake.

He said Budgens talked regularly to its larger shareholders, and IEP had been the largest even before the purchase.

He said it was disappointing that MNOPF, which had been a long-term holder of Budgens shares, had decided to sell.

Mr Stuart Mitchell of IEP said it had decided to average down the cost of its holding in Budgens, the first shares having been bought at about the 140p level. The purchase would reduce the average cost of IEP's holding to about 110p.

Earlier this month Budgens warned that profits for the year to end-April would be below market expectations because of distribution problems.

The results are to be published next Wednesday and analysts are looking for underlying profits of some £3m. Budgens promised to maintain the dividend.

NEWS IN BRIEF

BOUSTEAD, through Bousteadco Singapore, has acquired 75 per cent of ESRI Australia, the authorised distributor in Australia, Singapore, Indonesia, Malaysia and Brunei for software developed by Environmental Systems Research of Redlands US. Initial consideration is A$1.05m (£460,000) in cash. Further payment of up to A$1m is profit-related.

HEATH (CE) is to acquire Independent Medical Insurance Consultants, based in West London, for an initial £402,000 in 81,255 ordinary shares. Additional profit related amounts will become payable in 1991 and 1992.

KUNICK has purchased Philip Woolfson Leisure, one of the largest operators of gaming and amusement machines in Scotland, from the receiver.

MECCA LEISURE: Acceptances of Rank's offer have been received in respect of 215.5m Mecca ordinary (68.2 per cent) and 209.94m convertible preference (69.1 per cent). The offers have been extended until July 26.

MULTITRUST is now 50.6 per cent controlled by Mr AS Perloff, following his purchase of a further 251,600 shares.

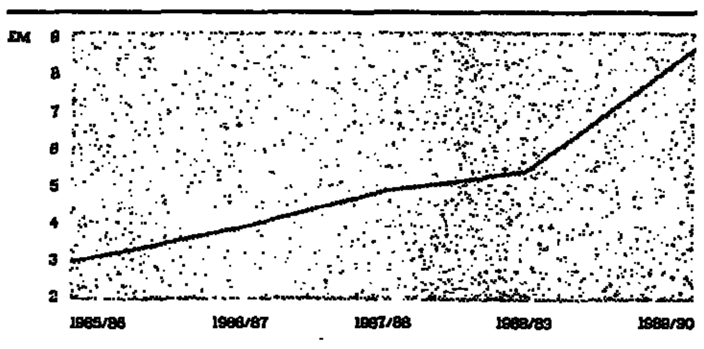
PARKWAY GROUP has sold Colorlux in a transaction which will reduce its indebtedness by £1.2m. The purchaser is Colorlab, a company owned by Franco and Giovanna Lucillini, who are both directors of Colorlux.

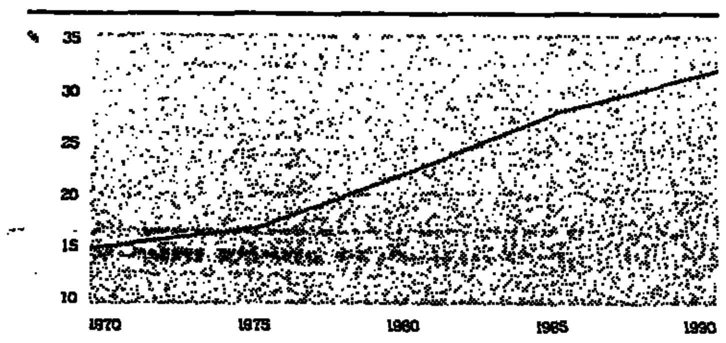
ROSS GROUP has acquired Cotswold Enterprises, a Gloucestershire-based pallet maker, for £265,000 financed by the issue of unquoted loan notes. For the year to June 30 1989 it made pre-tax profits of £144,000 on sales of £2.13m but losses are expected for the year to June 1990 on reduced sales of about £1.7m. The company will be given the new name Cotswold Giltpack.

WACE, the pre-press and specialist printing company, has acquired Leroy Phoenix Star, a Manchester-based reprographic concern, for an initial £1.02m in cash and shares. Further profit-related sums, to a maximum £1.1m, may be payable. Leroy Phoenix reported taxable profits of £222,000 in 1989, on sales of £2.72m. Net assets at the year-end amounted to £645,000.

WATERGLADE INTERNATIONAL Holdings and Reinhold City, a Swedish listed company, have entered into a joint venture agreement to redevelop an 11,400 sq m office block in the Mainzer Landstrasse, Frankfurt, West Germany. Under the agreement, Waterglade International BV, a wholly-owned subsidiary, has sold 50 per cent of the Dutch subsidiary which owns the property to Reinhold City BV for DM7m (£2.4m). Waterglade International BV will retain the other 50 per cent interest in the project.

WOOD (SW) Group has closed its metal trading business carried on at Finedon Industrial Estate, Wellingborough, Northants, as indicated in its annual report. The business will be sold to MCP Holdings for £240,000 in cash, and net proceeds should amount to £96,000 before tax.





UK COMPANY NEWS

David Churchill on performances in the leisure sector where the shine has not dulled

First bucks trend with 23% rise

FIRST LEISURE, the ten-pin bowling, discos, and entertainments group, yesterday shrugged off the blues which have hit the leisure sector this year with a 23 per cent increase in interim pre-tax profits to £10.1m for the six months to April 29.

At the same time First announced a surprise rights issue of one ordinary share for every eight held at a price of 182p to raise some £30.7m.

The cash call, the first since First was formed in 1983, comes after last month's arrangement of a £60m credit facility over the next five years to help fund its expansion, particularly the development of Blackpool Tower.

But Mr John Conlan, First's chief executive, made it clear yesterday that the rights issue did not signify a major acquisition in the leisure sector.

Mr Conlan added that "from the shake-out in the leisure sector at the moment we are able to 'cherry-pick' the sort of buys we want at a lower price than a year ago."

First's profit increase came from a rise in turnover to £43.7m (£35.8m). Earnings rose 28 per cent to 5.33p. The interim dividend is up 38 per cent to 1.55p and the board intends lifting the final dividend by a similar percentage.

Mr Conlan said the current trading performance was buoyant in spite of the tougher trading conditions.

Tony Andrews

John Conlan (left) with Nick Irens, First's finance director, announcing the interim results

● COMMENT

While most other leisure operators in the boom years of the late-1980s were busy borrowing money and launching ambitious acquisitions, First Leisure was earning a reputation for being rather prudent and dull. Now just when some other leisure companies are feeling the pinch from high interest rates and tougher trading, so First is benefiting from its decision to grow organically under the control of a tight management team. Hence the surprise yesterday when the company announced its first rights issue after seven years of existence. What worries some analysts is that at the turn of the year the company was insisting that there was no need for a rights issue. Now, if the money is targeted for takeovers, they feel it will not be enough. First insists that there are no big buys on the cards, only a number of small ones. Whatever proves to be the case, the rights issue will bring gearing down to a very respectable level of under 25 per cent. First's many admirers in the City – the shares closed 6p up on the day to reach 221p – are revising their forecasts upwards, looking for at least £31m pre-tax in the full year, giving a prospective p/e of about 13.

Leading Leisure omits dividend

LEADING LEISURE, the Third Market-quoted leisure stock with a portfolio of hotel and other leisure developments, yesterday told shareholders at its annual general meeting that no dividend would be proposed for the last financial year.

It also announced it was "actively exploring" a link-up with another company to develop its portfolio of leisure assets but declined to give any further details.

Leading Leisure, like a number of other leisure companies, has been hit by the rise in interest rates which has seen its debts mount to £66m and gearing to 140 per cent. Mr Barry Malizia, chairman and chief executive, admitted that this was "out of line" when announcing the company's results for last year.

Leading Leisure's pre-tax profits for the 14 months to the end of December 1989 were £6.73m, up from £5.15m in the 12 months to October 31 1988.

At yesterday's meeting Mr Malizia said: "It is now vitally important to demonstrate to our creditors and the people with whom we trade our resolve to put the company on a sound financial footing."

The proposed gross dividend would have totalled £1.2m, he said, and added that "it would be imprudent to recommend the payment at this time". Mr Malizia suggested that the board was looking at two ways of developing the company's asset portfolio of hotels and other leisure attractions, which include the Needles Pleasure Park on the Isle of Wight.

"We can develop these assets either in a piecemeal fashion over a period of time or by the immediate development of these assets by the involvement of a major participator," he said. "We are exploring the latter strategy actively and will keep shareholders informed of any developments."

Casinos help Stanley surge 65% to £8.4m

STANLEY LEISURE, the betting shop, casino, and snooker club operator, continued to demonstrate how to make money from gambling with a pre-tax profits surge of 65 per cent to £8.4m for the year to April 29.

The solid performance, well in line with City expectations, was marred by the need to write-off a £2m investment in Leisure Investments which is now in receivership.

Turnover rose 44 per cent to £154.4m. Earnings per share, however, were affected by the write-off and only rose by 12 per cent to 19.1p. A final dividend of 3.4p (2.75p) is proposed, making a total of 5.4p (4.5p) for the year. A one-for-five scrip issue is also proposed.

Bookmaking and casinos, Stanley's main activities, both performed well over the past year in spite of the problems suffered by other gambling operators. The casino division was helped by its spread in the provinces, less affected by the dearth of "high-rollers" from overseas which has hit London casinos.

The acquisition of five casinos from Brent Walker 18 months ago saw turnover more than double in the casinos division to reach £20.9m, with profits up from £2.3m to £5.3m.

Stanley also bought another eight provincial casinos earlier this year from Leading Leisure and said that these were performing well.

● COMMENT

Mr Leonard Steinberg, Stanley's chairman, has shown that even if some of the glamour has gone out of the gambling sector, there are still plenty of opportunities to milk the cash-generating businesses of betting shops and casinos in the provinces. The blot on his track-record, of course, was the ill-judged stake in Leisure Investments. Now that Stanley has written off its loss, analysts are generally confident of it making further sound progress in the current financial year even in difficult conditions. Forecasts are for a shade under £11m, giving a prospective p/e of about 8. The shares closed 1p down at 205p.

Parkfield halts dealings pending finance statement

By Andrew Bolger

PARKFIELD GROUP seemed to be poised on the brink of financial collapse last night after the entertainment and manufacturing mini-conglomerate requested that its shares be suspended at 48p, five minutes before the stock market closed "pending clarification of the company's financial position."

At that level Parkfield has a market value of £24m, which compares with £263m in January, when the shares touched 518p.

Telephones were not being answered at the company's head office at Haslemere in Surrey after the statement. However, Laing & Cruickshank, the company's brokers, said a second announcement was being prepared, which is expected today.

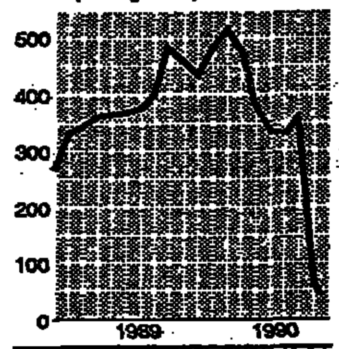
City analysts immediately speculated that the next step must be to call in the administrators to the company, which employs more than 4,000 people. One commented: "If Parkfield did not have a liquidity problem before the share price crash, it certainly did then."

Shares in Parkfield, one of the best-performing companies during the 1980s, fell from 346½p to 189p after a warning on June 21 that its pre-tax profits were not likely to exceed last year's £23m and the share price has been in free-fall ever since.

Mr Roger Felber, chairman,

Parkfield

Share price (pence)



said then that the main problem had been overstocking in the entertainment division, which distributes pre-recorded videos for several Hollywood studios.

Eight days later Parkfield said it was considering the sale of significant parts of the group and conceded that borrowings had grown significantly as a result of heavy capital expenditure, an increase in working capital and the build-up of video stocks.

Mr Felber insisted that sales and markets remained strong on Parkfield's manufacturing side, which makes aluminium and steel wheels for vehicles, chassis and heavy castings.

The entertainment division also had a stake in a recent feature film about the Kray brothers and is involved in the installation of satellite dishes for Sky TV and BSB, but Mr Felber said these activities had all made strong contributions to profits.

Analysts and industry sources said Parkfield could have been pushed over the edge by film suppliers withdrawing credit from the company, which was experiencing difficulties in supplying video stores with the films they requested.

There have been persistent trade and stock market rumours that Parkfield was caught out by overstocking over the Christmas period and lack of management controls.

The shares fell in February after the resignation of Mr Paul Feldman, the director who had been responsible for building up the entertainments division.

Lowndes Queensway accounts are qualified by auditors

By Maggie Urry

AN AUDITORS' qualification has been attached to the accounts of Lowndes Queensway, the furniture and carpet retailer formed through the £450m leveraged buy-out of Harris Queensway in August 1988.

Since the buy-out, the group's debts have been refinanced twice, the second time at the start of this year.

However, difficult trading conditions since then might require the group to renegotiate bankers covenants again or seek further new funds, the annual report said.

Price Waterhouse, the auditors, said the accounts were "prepared on a going concern basis which is dependent upon the continuing availability of finance." Subject to that, the auditors said the accounts gave a "true and fair view" of the group's affairs.

At the end-January balance sheet date there was a deficit on capital and reserves of £159.4m or £107.8m if £51.6m of non-interest bearing loan notes are added back. Debts totalled £119.4m.

The group said that under the terms of the January refinancing monthly financial covenants were set. Some of those – covering sales targets – had been "redetermined since the refinancing in the light of current market conditions."

The group continued that if the difficult market conditions in furniture and carpet retailing continued, it might not be able to operate within the terms of the facilities. It would then have to refix the covenants again or would need further funds.

BOARD MEETINGS

The following companies have notified dates of board meetings to the Stock Exchange. Such meetings are usually held for the purpose of considering dividends. Official indications are not available as to whether the dividends are interims or finals and the subdivisions shown below are based mainly on last year's timetables.

TODAY

Interims- Dewey Warren, Dewhurst, Drayton Far Eastern, Elandsrand Gold Mining, Epwin, GWR, Macarthy, P & P, River & Mercantile Trust, Selective Assets Trust, South African Land & Exploration, Southvaal, Throgmorton USM, Tribune Inv, Vaal Reefs Exploration, Western Deep Levels.

Finals- Bogod, Breasway, Clark (Matthew), Elbief, Fitch Lovell, Helton, Norbain Electronics, Oceana Inv, Park Food, Symonds Engineering, Zetters.

FUTURE DATES

Interims-	
Anglia	July 25
Anglo & Overseas Trust	Aug. 2
Cranbrook Electronic	July 20
Davies & Metcalfe	Aug. 9
Fairway (London)	Aug. 2
Freeman	Aug. 7
GKN	Aug. 8
Green Property	July 26
Greenwich Resources	July 25
Inv Trust of Guernsey	Aug. 3
Jacobs (John I)	July 26
Jourdan (Thomas)	July 27
LGW	July 25
Mount Charlotte Invs	July 31
Norsk Hydro	July 26
Philips Lamps	Aug. 9
Royal Dutch	July 27
SEP	July 25
Securicor	July 30
Security Services	July 30
Shell Transport	July 27
Simon Engineering	Aug. 8
Steetley	Sep. 24
Taylor Woodrow	Sep. 18
Transport Development	Aug. 6
Ulster Television	Aug. 31
Finals-	
Applied Holographics	July 27
Beta Global Emerging Mkts	July 25
Dalepak Foods	July 23
Dudley Jenkins	July 24
Dyson (J&J)	July 26
Embassy Property	Aug. 1
LGW	July 25
Savills	July 25

Subsidiary's losses push Beaverco into the red

By Jane Fuller

BEAVERCO, the USM-quoted specialist foam and consumer products maker which recently discovered the unhealthy state of its Body Sculpture subsidiary, suffered a pre-tax loss of £177,000 in the year to March 31, compared with a profit of £2.14m in the previous year.

Losses and provisions associated with Body Sculpture, a gymnasium equipment importer, totalled about £4m before tax and £3.05m after tax, the company said.

Included in the 1989-90 accounts are pre-tax losses of £1.75m and an extraordinary provision of £900,000 to cover subsequent trading losses.

Figures for the two previous years had been restated to take in a deficit totalling £1.12m.

The share price, which reached 380p last year, fell from 50p to 45p after yesterday's announcement.

It had already been deflated by a profit warning late last year and a recent statement about the Body Sculpture problem, which dates back to 1986 when Beaverco first acquired 49 per cent of the company.

Mr John Lees, chairman, said Beaverco had acquired the remaining 51 per cent of Body Sculpture for £500,000 a year ago. Auditors looking at the 1989-90 figures had also discovered losses in the two previous years.

He said Beaverco had thought the subsidiary was making a profit of about £400,000 a year on £4m sales, but discovered a total deficit of £3m after tax.

Because of the Body Sculpture provision, gearing had reached 160 per cent at the year end, with borrowings amounting to about £11m.

Mr Lees said disposals were planned to try to bring gearing down to less than 50 per cent.

Just over £800,000 had already been obtained for a consumer products business making such items as car seat covers and oven gloves.

Interest charges for the year doubled to £1.88m. Although offset by other income and an exceptional gain of nearly £500,000, the operating profit of £1.09m (£3.05m) was reduced to a loss.

Total turnover rose to £52.98m (£43.25m) for the year. Mr Lees said about £30m of this was accounted for by two profitable areas of the company: Aronstead consumer products, which made nursery and garden furniture and children's play equipment, and the industrial division which made sound deadening products.

He added that there had been a "major restructuring" of senior management in the past year.

The loss per share was 1.5p (earnings of 17.6p). No final dividend is being paid. The interim dividend of 1.9p compares with the previous total of 7.5p.

Two ex-directors of Feb in Courtline buy-in deal

By Clay Harris

TWO FORMER executives of Feb International, the building chemicals company taken over by Tarmac in 1987, are taking part in a £1.2m management buy-in at Courtline (uPVC Windows), a private supplier of windows, doors and conservatories.

The funding was arranged by County NatWest Ventures, which subscribed £350,000 of institutional equity finance. National Westminster is providing banking facilities.

Mr Graham Fisher, Courtline's chairman, became managing director of Feb after Tarmac took over the business which his father had co-founded in the 1950s. When he left in 1988, he was paid nearly £400,000 as part of an earn-out arrangement.

DIVIDENDS ANNOUNCED

		Current payment	Date of payment	Corres-ponding dividend	Total for year	Total last year
AIM	fin	6.6†☆	Oct 1	6.6	9	9
Bertam	fin	2.2	-	2	2.2	3♦
Bespak	fin	4.4	Oct 8	3.75	7	6
Bulmer (HP)	fin	4.77	Sept 10	4.28	7.65	6.945
Cityvision	int	0.5†	Nov 16	0.25*	-	0.75*
First Leisure	int	1.55	Nov 2	1.125	-	3.66
General Cons Inv	int	4.3	-	4	-	9.46
Microgen	int	2.2†	Aug 24	2.2	-	6.7
Moorgate Inv Tst	fin	7	-	5.8	10.2	8.68‡
Prism Leisure §	fin	3	-	3	4.5	4.5
Scott Pickford ¶	fin	0.425	-	0.375	0.425	0.375
Stanley Leisure	fin	3.4†	Sept 17	2.75	5.4	4.5
Tinsley (Eliza)§	fin	3.4	Oct 1	3	5.2	4.8

Dividends shown pence per share net except where otherwise stated. *Equivalent after allowing for scrip issue. †On capital increased by rights and/or acquisition issues. §USM stock. ☆Scrip alternative. ♦Includes 1p special. ‡Includes 0.68p special. ¶Third Market stock.

NEWS DIGEST

Modest growth at Bespak

PROFITS OF Bespak, a manufacturer of specialised aerosol valve systems, rose by just £200,000 to £3.91m pre-tax for the year to April 27.

Turnover rose by 17 per cent to £23.65m but operating expenses accounted for over £3m more at £19.5m. Earnings worked through at 19.4p (17.6p) after a £78,000 lower tax charge of £1.28m. A final dividend of 4.4p makes a 7p (6p) total.

Bertam sharply lower at £1.41m

Bertam Holdings, an operator of plantations in west Malaysia, sustained a drop in profits from £2.54 to £1.41m pre-tax for 1989. Turnover totalled £1.45m compared with £1.74m.

Estate profits declined to £499,000 (£843,000) while sales of fixed asset investments amounted to £5,000 (£742,000). Interest income rose to £481,000 (£293,000). Dividend for the year is 2.2p. Shareholders received 3p last time including a 1p special payment.

40% advance for Scott Pickford

A 40 per cent improvement in pre-tax profits from £71,404 to £100,190 for the year to end-March was announced by Scott Pickford, the provider of technical and management services in the fields of geology and geophysics.

The directors said that prospects for overseas commissioned consultancy work were good, and they were looking to develop new business areas to complement existing services both by internal development and acquisition.

They are recommending a single final dividend of 0.425p (0.375p) payable from earnings per share of 0.76p (0.77p).

Turnover advanced to £1.69m (£1.44m) with income from software and multi-client reports up 33 per cent. Further growth was expected in the current year.

The company trades on the Third Market.

Administrative costs cause fall at BWD

A substantial rise in administrative expenses from £2.82m to £3.73m at BWD Securities helped force pre-tax profits down from £759,000 to £679,000 in the six months to May 31.

This USM-quoted stockbroker and portfolio managersaid that BWD Rensburg had continued to provide a significant proportion of group profits. With interest receivable being a traditional source of income to stockbroking firms, the company benefited from the high rates throughout the period – indeed they helped offset the 15 per cent reduction in market transactions.

Group operating profit was down at £317,000 (£616,000), though interest receivable rose to £362,000 (£143,000). Earnings slipped to 2.6p (2.9p) per share, but the interim dividend is maintained at 1p.

Prism Leisure decline to £405,000

Prism Leisure Corporation, the USM-quoted wholesale buyer of recorded music and computer games for resale in the UK and overseas, sustained a fall from £550,000 to £405,000 in pre-tax profits in the year to March 31.

The decline came in spite of a rise in turnover to £10.53m (£7.78m), though Mr Geoff Young, chairman, said that European Music Distributors and Prism Leisure Corporation USA, the group's two trading subsidiaries, did not perform in line with expectations and losses were £263,000 over the year. He added that action had been taken to ensure such losses would not recur.

Tax was almost static at £215,000, leaving earnings down at 4.8p (8.7p) per share. The directors have proposed maintaining the dividend for the year at 4.5p with an unchanged final of 3p.

'Disappointing' year for Moorgate Inv

The net asset value of Moorgate Investment Trust was 227p at May 31 – a decline of 9 per cent on the figure of a year earlier.

Mr Mark Thomson, chairman, described 1989-90 as "disappointing" as a result of the trust's high exposure to UK smaller companies.

Earnings per share expanded to 10.37p (8.83p) and a recommended final dividend of 7p makes a total of 10.2p (8.68p including special distribution of 0.68p). A 1-for-1 scrip issue is also proposed.

Eliza Tinsley slips to £1.32m

Profits of the Eliza Tinsley Group fell by 6 per cent to £1.32m pre-tax for the year to end-March although turnover pushed ahead by 9 per cent to £15.53m.

Profits rose in the first quarter, fell back in the autumn and early winter but recovered during the final quarter – the USM-quoted group makes and distributes chains and builders' hardware.

Earnings slipped to 11.88p (12.52p). However, bearing in mind the final quarter of the past year and the outlook for 1990-91 the directors are proposing a final dividend of 3.4p making a 5.2p (4.8p) total.

Grosvenor Dev assets improve

Grosvenor Development Capital, a provider of capital for industrial and commercial companies, returned pre-tax profits of £46,000 for the five-and-a-half months to end-May. Total revenue amounted to £481,000.

The figures compare with £20,000 and £689,000 respectively for the 11-and-a-half months to December 13, the day the company obtained a stock market listing.

Earnings totalled 0.47p (0.72p). At the period-end, basic net asset value per 10p share stood at 134.7p (129.6p) or at 129.3p (127p) on a diluted basis.

Nav declines at General Consd Trust

General Consolidated Investment Trust yesterday reported a net asset value of 225.3p per capital share as at June 30 1990.

The figure showed a fall of some 10 per cent on the 250.7p of 12 months earlier.

Revenue for the six months to end-June amounted to £3.04m (£2.88m) and earnings per income share improved to 4.9p (4.65p).

The interim dividend is raised 0.3p to 4.3p and the directors forecast a final of not less than 5.9p which would make a total of 10.2p (9.46p).

UK COMPANY NEWS

Microgen sustains 7% downturn to £4.53m

By Jane Fuller

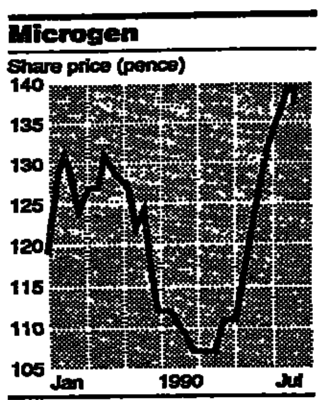
MICROGEN HOLDINGS, a computer company specialising in information management and which last year made a large provision for a suspected fraud, saw pre-tax profit fall by 7 per cent to £4.53m in the six months to April 30.

That did, however, represent an improvement on the second half of last year when only £2.29m was made pre-tax. Year-end adjustments included an £839,000 provision against the alleged fraud, due to come to court in the autumn, and £600,000 of reorganisation costs.

Turnover in the first half rose by 9 per cent to £25.05m (£22.98m).

Earnings per share, however, fell by 13 per cent to 7.1p after an increase in the tax rate on the Swedish part business from 23 to 51 per cent.

Microgen, which has seen management changes, has closed Imagen, a loss-making subsidiary providing laser printing for direct mail. Mr Patrick Barbour, chairman, said this knocked £130,000 off the interim profit figure and would cost a further £120,000 in the second half.



There had been no decline in the ongoing businesses, he said. About 60 per cent of sales came from computer output on microfilm (this has just been added to through a purchase from Hoskyns Group) and 35 per cent from laser printing.

The geographic breakdown was 53 per cent UK, 35 per cent Scandinavia and the rest from West Germany.

A community charge service for local authorities brought in £750,000 income, but only a small profit contribution on the first runs. The potential was good, as was that for an invoice management service just being launched.

Microgen Equipment and Supplies had been sold last month for £1.5m. Mr Barbour said this, and the recovery of money related to the alleged fraud, would help make the company cash positive.

In the first half borrowings were reduced from £2m to £500,000. Net interest costs were £250,000 (£50,000).

Mr Barbour added: "Change often takes longer than anticipated. With the new UK management team becoming established and the disposal of two peripheral businesses, we can concentrate on developing our strategy of providing services within the information management market."

The interim dividend is being maintained at 2.2p.

The share price, which had recovered from a low of 105p to 139p in the last three months, eased to 137p yesterday.

Associated Farmers merger

By Graham Deller

ASSOCIATED FARMERS, a former Business Expansion Scheme company currently traded on the Third Market, plans to come to the USM following its merger with a leading farm management group.

It is to merge with Sentry Farm Management in a share exchange deal which values Sentry at £1.09m.

Mr Barrie Hoar, deputy chairman, said: "The combined company will control the management of some 38,000 acres of land in England and Wales, making it one of the biggest farm management organisations in the country."

The merger is accompanied by a conditional rights issue of up to 1.5m shares at 61p apiece on a 7-for-13 basis, raising £619,000 net of expenses.

Some 44 per cent of the issue has been irrevocably taken up by directors, future directors and institutions while the balance has been underwritten by ANZ Merchant Bank.

The group intends to acquire established management companies and to encourage clients to develop ancillary activities alongside the farming business.

Non-trading deficit turns out to be unexpectedly high

Yellowhammer exceeds forecast losses

By Alice Rawsthorn

YELLOWHAMMER, the struggling advertising agency, yesterday reported unexpectedly severe pre-tax losses of £5.66m for the year to March 31 and announced that it was in negotiations to recapitalise the company.

The losses were far worse than the stock market had expected. Yellowhammer issued a profits warning in March in which it said it was likely to make losses of £3.6m in 1989/90, compared with profits of £2.7m on turnover of £62.4m in the previous year.

Yellowhammer said that trading had been in line with expectations, but the cost of reorganisation and the losses incurred by its non-continuing businesses had been unexpectedly high.

In a bald statement, which did not give details of its financial position, Yellowhammer disclosed pre-tax trading losses of £3.65m and extraordinary losses of £2m. It paid £1m in interest in 1989/90 and said interest costs "continued at a high rate" in the current year.

The original Yellowhammer advertising agency, the largest part of the company, is still trading profitably before tax and interest. Yellowhammer said that most of its other operating subsidiaries were trading profitably too.

The shares, which have fallen steadily since it disclosed unexpected interim losses in December, fell by 4p to 13p on yesterday's announcement. Worth more than 200p a year ago, they peaked at 281p in 1987.

Yellowhammer, which is one of the top 30 UK agencies, has a highly creative reputation based on its anti-drugs campaign for the Government and its work for clients such as Fiat and Barclays Bank.

The company expanded too rapidly in the buoyant advertising climate of the late-1980s. It invested in a string of start-ups, including agencies in France and Spain, and in other areas of marketing services.

Some of these investments were unsuccessful. Their poor performance made Yellowhammer very vulnerable when the UK advertising market started to slow down last summer. The senior management — led by Mr Jon Summerill as chairman — has been criticised for being too slow in reacting to the downturn.

Yellowhammer has cut costs by shedding staff. The main London agency has reduced its workforce by 20 to 130 people — including the media director — since the start of this year.

Some loss-making operations have been closed or sold. The company has closed the start-up advertising agencies in France and Spain. It has also closed its financial marketing consultancy.

Yellowhammer now needs to raise new finance to reduce its debts. It has been in discussions with a number of potential investors in recent months. The board is now understood to be considering a number of options including proposals from investors both inside and outside advertising.

Yellowhammer said yesterday that it hoped shortly to submit detailed recapitalisation proposals to shareholders. In the meantime, it said, it was trading within existing overdraft facilities and its banks were continuing to provide support.

Earlier this year Woollams Moira Gaskin O'Malley, a privately-owned London agency, built up a 9.3 per cent share holding in Yellowhammer.

Jon Summerill: cutting costs by shedding staff

LEGAL NOTICES

IN THE UNITED STATES DISTRICT COURT
FOR THE NORTHERN DISTRICT OF TEXAS
LUBBOCK DIVISION

IN RE:

CRUTCHER FINANCE, N.V. and CRUTCHER RESOURCES CORPORATION BANKRUPTCY LITIGATION — ADVERSARY PROCEEDING NO. 588-5096

CIVIL ACTION NO. CA-5-89-0103 (CONSOLIDATED WITH CA-5-89-0104-C)

THIS DOCUMENT RELATES TO ADVERSARY PROCEEDING FILED IN THE DISTRICT COURT IN CONJUNCTION WITH THE BANKRUPTCY CASES OF CRUTCHER FINANCE, N.V. AND CRUTCHER RESOURCES CORPORATION — ADVERSARY PROCEEDING NO. 588-5097

CIVIL ACTION NO. CA-5-90-136-C

TO: ALL PERSONS OR ENTITIES WHO ARE HOLDERS OR BENEFICIAL OWNERS OF THE 8¾% CONVERTIBLE SUBORDINATED DEBENTURES AND/OR ANY COUPONS APPURTENANT THERETO ISSUED BY CRUTCHER FINANCE, N.V. PURSUANT TO AN INDENTURE DATED DECEMBER 15, 1980, GUARANTEED BY CRUTCHER RESOURCES CORPORATION, AND DUE DECEMBER 15, 1995, OR WHO ARE CLAIMING UNDER THE DEBENTURES AND/OR ANY COUPONS APPURTENANT THERETO.

SUMMARY NOTICE OF CLASS ACTION AND PROPOSED SETTLEMENT

YOU ARE HEREBY NOTIFIED, pursuant to Rule 23 of the Federal Rules of Civil Procedure, that a hearing will be held in the courtroom of the Honorable Sam R. Cummings, Judge of the United States District Court for the Northern District of Texas (United States Courthouse, 1205 Texas Avenue, Lubbock, Texas 79401) on August 27, 1990, at 10:00 A.M. to determine whether the proposed settlement of these actions between IBJ Schroder Bank & Trust Company as Successor Indenture Trustee/Class Representative ("Schroder") and the Crutcher Finance, N.V. Bankruptcy Trustee as Plaintiffs and certain financial institutions as Defendants should be granted final approval by the Court as being fair, reasonable, and adequate; whether all claims and counterclaims in these Actions should be dismissed with prejudice to their filing; and whether a Settlement Fund in the amount of $600,000.00, from which certain fees and expenses will be paid, should be approved.

YOU ARE A MEMBER OF THE CLASS IF YOU PRESENTLY HOLD AND/OR BENEFICIALLY OWN 8¾% CONVERTIBLE SUBORDINATED DEBENTURES ISSUED BY CRUTCHER FINANCE, N.V. IN DECEMBER 1980 AND DUE 1995 OR ANY COUPONS APPURTENANT THERETO AND/OR ARE CLAIMING UNDER SUCH DEBENTURES OR ANY COUPONS APPURTENANT THERETO. IF THE COURT APPROVES THE SETTLEMENT, YOU WILL BE BOUND BY ITS TERMS, AND IF YOU WISH TO OBJECT TO THE PROPOSED SETTLEMENT OR TO THE PAYMENT OF ATTORNEYS' FEES OR COSTS AS SET FORTH BELOW, YOU MUST FILE YOUR WRITTEN NOTICE OF INTENTION TO APPEAR AT THE HEARING, STATING ALL GROUNDS FOR OBJECTION OR OTHER STATEMENT OF POSITION WITH THE CLERK OF THE UNITED STATES DISTRICT COURT FOR THE NORTHERN DISTRICT OF TEXAS AT THE ADDRESS LISTED AT THE END OF THIS NOTICE AND SERVE COPIES OF SUCH WRITTEN OBJECTION AND ALL OTHER PAPERS, BRIEFS, OR AFFIDAVITS FILED WITH THE CLERK OF THE COURT ON THE FOLLOWING PERSONS NO LATER THAN SEVEN CALENDAR DAYS PRIOR TO THE SETTLEMENT HEARING OR YOU WILL NOT BE HEARD AT THE HEARING.

Ms. Lea F. Courington
Gwinn & Roby
4100 Renaissance Tower
1201 Elm Street
Dallas, Texas 75270

Mr. George J. Wade
Shearman & Sterling
Citicorp Center
153 E. 53rd Street
New York, New York 10022

Ms. Myrtle McDonald
Jones, Trout, Flygare, Moody & Brown
1600 Civic Center Plaza
P.O. Box 2426
Lubbock, Texas 79408-2426

The complaints in these actions allege that beginning at least with the restructuring of the long-term debt of Crutcher Resources Corporation in 1983, the Defendants, inter alia, controlled Crutcher Resources Corporation and its subsidiaries including Crutcher Finance, N.V., to their own advantage and the detriment of other creditors. One of the complaints also alleges that one of the Defendants, which served as Indenture Trustee for the holders of the Debentures until December 1983, breached certain duties to the holders of the Debentures. Defendants have denied all allegations.

The settlement to which the parties have agreed, subject to court approval, provides that a Settlement Fund of $600,000.00 will be created to be distributed as follows: (1) $550,000.00 which, after payment from that amount of certain costs of mailing and publishing notice of the hearing on the proposed settlement, the costs of administering and distributing the Settlement Fund, and Schroder's attorneys' fees and expenses as approved by the Court, will be distributed to those members of the class who present their Debentures together with all coupons appurtenant thereto to Schroder (or Euro-Clear Clearance Systems, Inc. or Cedel, S.A., in the case of those Class Members in continental Europe and the United Kingdom) in accordance with the terms of the Indenture and the Debentures; and (2) the sum of $50,000.00 will be paid to the Crutcher Finance, N.V. Bankruptcy Trustee for the benefit of the bankruptcy estate and the creditors of that company other than the holders of the Debentures.

You may contact Schroder (Mr. Max Volmar, Vice President, IBJ Schroder Bank & Trust Company, One State Street, New York, New York 10004, 212/858-2428) at any time after August 27, 1990 (the date of the hearing at which the Court will be asked to approve the settlement), to determine whether the settlement has been approved.

In order to participate in the distribution from the Settlement Fund, Class Members (or duly authorized persons or entities acting on their behalf) must present the Debentures together with all the coupons appurtenant thereto under which they are claiming to one of the following, depending upon the Class Member's place of residence, no later than December 14, 1990:

CLASS MEMBERS RESIDING IN CONTINENTAL EUROPE OR THE UNITED KINGDOM:

Euro-Clear Clearance Systems, Inc.
c/o Morgan Guaranty Trust Company
35 Avenue des Arts
Brussels, Belgium

ALL OTHER CLASS MEMBERS:

IBJ Schroder Bank & Trust Company
Corporate Trust Window
SC1
One State Street
New York, New York 10004

OR

Cedel S.A.
67 Boulevard Grande Duchesse Charlotte
Boite Postal 1006
1010 Luxembourg

If you have not received by mail a notice which more fully describes the litigation and the terms and conditions of the proposed settlement, you may request one by sending your name and address to:

Ms. Lea Courington
Gwinn & Roby
4100 Renaissance Tower
1201 Elm Street
Dallas, Texas 75270

DATED: July 6, 1990.

NANCY H. DOHERTY
Clerk, United States District Court
for The Northern District of Texas
United States Court House
P.O. Box 2248
Lubbock, Texas 79408-2248

EDUCATION

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BUSINESS LAW

Pennsylvania acts on takeover bids

By Charles Bramham, Mark Yonkman, and Gregory Pilkington

THE recent Hoylake bid for BAT foundered largely on the power of state insurance regulators in the US. The substantial losses Hoylake investors suffered may, however, have been offset by gains realised from the purchase of BAT shares.

This downside protection is a standard element of a takeover strategy. The new anti-takeover law enacted in Pennsylvania, however, creates yet another trap for the unwary by, among other restrictions, limiting the effectiveness of this tactic for shareholders who acquire more than 20 per cent of a Pennsylvania corporation.

No country or jurisdiction has a monopoly on local pride and protection of a long-established local company against "outside predators". But what distinguishes an American state from, say, Yorkshire, is that the latter could not enact protectionist laws in defence of Rowntree; American states have that power to a substantial extent.

The danger of even those European businessmen most experienced in US takeovers being caught off-balance by state law problems is exacerbated because, unlike US federal law, which has uniform application throughout the country, state law is very much the creature of the local political concerns of each state legislature.

This state power is not without limit, however, and the first generation of state anti-takeover laws failed on constitutional grounds. The "commerce" clause in the US Constitution, which prevents states from enacting laws which restrict interstate commerce – effectively, the American "single market" – was held to bar the first state anti-takeover laws.

After these initial failures, the states began to enact more carefully drafted anti-takeover legislation and placed such legislation in the states' business corporation laws rather than the state securities laws. Because a US corporation is a creature of state rather than federal law, the states believed that modifications to the laws that created corporations would be more likely to be upheld. The US Supreme Court confirmed this in 1987.

The modifications to the states' business corporation laws (which often give corporations the ability to opt out of the new amendments) come in various forms. Some states have enacted "control share acquisition" statutes which require shareholder approval of acquisitions above certain percentages. Other states have enacted fair price statutes which allow an acquisition only if recommended by the board and approved by the shareholders or if the offeror pays the highest of several valuations.

Perhaps the most notable feature of the new Pennsylvania statute is Subchapter H. In essence it provides that any profit realised from the disposition of any equity securities of a corporation by a person who owns at least 20 per cent of the voting securities of that corporation, within 18 months after the person first became a 20 per cent or more owner, is recoverable by the corporation, unless the person acquired the disposed securities more than 24 months before the person became a 20 per cent or more owner.

Such profits are recoverable in a suit brought by the corporation (or by a shareholder in the name of the corporation if the corporation does not bring suit within 60 days after the shareholder so requests) within two years after the profit was realised.

This is not mere "anti-greenmail" legislation; that is, it does not only capture profits made by a corporate raider whose tactics induce a company to buy back his shares at an increased price. The genuine would-be acquiror already owning 20 per cent of the target, whose bid is topped by a competing acquiror, could lose the profit on his shares – his "downside protection" – under this provision.

It could be seen as anomalous that a true "greenmailer" could build a hostile, strategic stake of 19.9 per cent and be unaffected by the new legislation, while a person whose genuine bid fails suffers twice. But if the Pennsylvania legislature's objective was to prevent Pennsylvania corporations from being taken over against the will of the board of directors, this may prove an admirable deterrent.

The provisions of Subchapter H tie in with the new Subchapter G provisions. Under that section, voting rights are denied to "control shares", without the affirmative vote of the holders of a majority of the voting power of both, all "disinterested shares" of the corporation and all voting securities of the corporation. For this purpose there must be two separate votes taken at either an annual or special meeting of the shareholders.

"Control shares" are, broadly, those which would otherwise give the acquiror the right for the first time to cast votes in any of three ranges, between 20 per cent and 33⅓ per cent and 50 per cent, and over 50 per cent. "Disinterested shares" are those not owned either by the acquiror or, broadly, senior management and some Employee Stock Ownership Plans.

The corporation can, within two years, redeem the control shares if the acquiror loses either shareholder vote, or if the acquiror does not within 30 days comply with the provisions governing the taking of the shareholder votes.

Alternatively, a person losing one or both of the shareholder votes may sell his control shares complete with voting rights if such shares do not become control shares of the purchaser as a result of the shareholder votes. However, profits realised by either sale or redemption are subject to re-capture by the corporation under Subchapter H.

The new law provides other potential restrictions to takeovers of Pennsylvania corporations. Prior law permitted directors to consider the effects of any action upon employees, suppliers, customers and communities, as well as shareholders, in determining the best interests of a corporation.

The new law re-affirms these previously existing provisions and extends them in at least two significant ways.

First, the law is now explicit that the interests of the shareholder need not be the primary consideration in determining the best interests of a corporation, thus altering a long-standing view in corporate law.

Second, the law makes clear that the fiduciary duty of directors does not require that they ever dissolve a "poison-pill" defence.

This is in contrast to the line of Delaware cases before the Time-Warner case which considered not whether, but when, the board would have a fiduciary obligation to dissolve a poison-pill. Time-Warner, while not a poison-pill case, contains language which subsequent Delaware decisions may use to justify directors' decisions not to dissolve a poison pill.

These changes in Pennsylvania law are significant for several reasons. First, it demonstrates again the effect with which a state legislature can act when a local company is threatened by a "foreign" takeover.

Second, the number of companies potentially affected is large – more public companies in the US are incorporated in Pennsylvania than all but three other states. Moreover, the only obstacle to any US corporation re-incorporating in Pennsylvania to avail itself of these laws is shareholder approval. Indeed, this tactic has been successfully employed as part of a takeover defence in a few instances.

However, large public companies, which almost always have significant amounts of their shares held by institutions, have not attempted re-incorporation in Pennsylvania, and current publicity about the new statute may make shareholder approval of such a re-incorporation even less likely.

In many ways the real lesson for would-be acquirors is the importance of vigilance not only to state laws, but also to the continuing role the state can play. None of these changes in the law need thwart a takeover bid; the shifting legislation will merely require shifts in tactics.

Thus, tender offers can be conditioned upon the receipt of shareholder approval of any rights associated with share ownership. Stakes held for downside financial protection against a failed bid can be kept below 20 per cent. Similarly the application of these laws to proxies can be avoided relatively easily, and an old-fashioned proxy fight can replace the takeover bid as the means of accomplishing the same objective.

The authors are partners in the Philadelphia, and London offices of US law firm Pepper, Hamilton & Scheetz.

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COMMODITIES AND AGRICULTURE

Yeutter faces storm over US Farm Bill

By Nancy Dunne in Washington

MR CLAYTON Yeutter, the US Agriculture Secretary, is at the centre of a gathering storm as Congress prepares to debate a new Farm Bill and the abundant world grain harvest spurs calls for more export subsidies to boost falling wheat prices.

In Washington yesterday, populist farm groups, led by singer Willie Nelson, warned that the five-year 1990 Farm Bill now heading for the House and Senate floors would put 500,000 additional "family farmers" out of business.

Mr David Senter, National Director of the American Agriculture Movement, called on Mr Yeutter to read the US Constitution. "His business is to administer farm programmes and not be traveling to Gatt and lobbying Congress to cut farm income and eliminate farm programmes," he said.

The US Department of Agriculture last week forecast a record world wheat harvest – along with record crops of rice, oilseeds, sunflowerseeds and rapeseed. This has contributed to lower demand for US exports and depressed futures prices. In Chicago, wheat prices plunged from $3.65 a bushel in early May to $3.05 a bushel yesterday.

The Congressional Budget Office has predicted that net farm income would decline by 20 per cent between 1991 and 1995 under a continuation of the 1985 farm programme. But the Bills on the way to the House and Senate floors would essentially do this. Meanwhile, budget constraints are likely to force the Administration to cut payments to farmers.

At a press conference on Tuesday, Agriculture Department officials said farm income this year was predicted to be near a record level, with continued strong demand for exports. But, according to Mr Steve Fried, an analyst with Dean Witter in Chicago, US subsidies lost out to EC subsidies in North Africa in the last quarter, and sluggish demand for wheat in two major markets – China and the Soviet Union – is unlikely to turn round in the near future.

Mr Yeutter complained that the House Appropriations Committee had cut next year's budget for export subsidies from $900m to $500m. He said he would try to find a way to stimulate demand, but his under secretary, Mr Richard Crowder, acknowledged that US export subsidies have already been offered to all major US customers and markets.

These, he said, would be used to gain market share as well as to challenge the EC "particularly as we enter the critical phase of the Uruguay Round of Gatt negotiations."

Mr Yeutter predicted that this year would produce "the hottest debate that a Farm Bill has had in a good long period of time," with conservative and urban congressmen attacking the sugar and peanut programmes "and a number of others."

MEDIUM-sized, full-time family farms in the UK could be "decimated" if all agricultural subsidies were to be negotiated away within the General Agreement on Tariffs and Trade, according to Mr Sean Rickard, the National Farmers' Union's chief economist.

Speaking to an NFU briefing paper on the implications of possible Gatt reforms, Mr Rickard maintained that if subsidies were abolished farming could be forced into the deepest recession since the 1930s.

However, while the issue of reform was "no longer whether but how," the key question was whether the abolition of subsidies could ever be politically possible.

Some form of agreement would almost certainly be reached when the Gatt round ended in December but in all probability the measures adopted would be relatively limited in extent, the briefing paper suggested.

Strike at Cominco lead smelter expected to end this weekend

By Bernard Simon in Toronto

A TWO-WEEK strike at Cominco's big lead and zinc smelter at Trail, British Columbia, is expected to end this weekend following agreement late yesterday on a new two-year labour contract.

An official of the United Steelworkers of America said the tentative settlement included the reopening of the nearby Sullivan mine, closed earlier this year after protracted labour disputes.

Details of the contract will be made public today when the deal is submitted to the 3,000 unionised workers at Trail and Sullivan. A vote is scheduled for tomorrow. The union has said it will recommend acceptance by its members.

One of the final issues to be hammered out was a production incentive bonus for miners at Sullivan, one of the issues on which Cominco and the union were deadlocked before the mine closed.

A Cominco official confirmed that "all major issues have been resolved." She said the company has agreed to spend C$11m on development work and other start-up expenses at Sullivan. However, about three months of development is required before the concentrator at the mine can start operations again.

Supervisors at Sullivan are expected to be called back to work as soon as the new labour contract is ratified, with other workers following later.

Sullivan processed 1.7m tonnes of ore last year, producing 157,000 tonnes of zinc concentrate and 87,400 tonnes of lead. The strike at Trail has been a important factor in the lead and zinc market in recent weeks. Prices of the two metals initially rose sharply but have settled back in recent days as hopes increased that the stoppage would be shorter than earlier expected.

The Trail smelter produces 5.5 per cent of the western world's refined zinc and 2 per cent of its lead. The facility is being prepared for the arrival, probably next month, of the first shipment of zinc from Cominco's rich new Red Dog mine in Alaska.

Earlier this year, technical problems forced Cominco to shut down a brand-new lead smelter at Trail, which is not expected to be back in production until later this year. The company is currently relying on the old facility.

Keeping one jump ahead of the brown plant hopper

John Madeley on the battle to control a pest that has been attacking rice crops for 2,000 years

ONE OF the most serious pests of Asia's "Green Revolution" is today down but not quite out.

An insect known as the brown plant hopper became Asia's worst rice pest in the 1970s, causing heavy losses and economic desperation for tens of thousands of farmers. A concentrated effort by scientists has now virtually eliminated the pest.

"The brown plant hopper is now rare" says Dr Ramesh Saxena, an entomologist at the International Rice Research Institute in the Philippines.

But the hopper remains a threat none the less, and is still capable of launching renewed attacks on rice crops. So rice scientists are making determined efforts to stay at least one jump ahead of the pest to prevent it from striking again.

The brown plant hopper sucks the sap of the rice plant, causing the crop to wilt and dry. While in some parts of Asia it has been a problem for rice growers for some 2000 years, it became particularly damaging in the 1970s following the introduction of high-yielding varieties grown with irrigation and intensive applications of nitrogen fertiliser.

"Fertilisation and irrigation promote a dense and succulent foliage, ideal for hopper growth" says the institute. With irrigation, more farmers began to grow rice all the year round so there was no dry season to break the hopper's breeding cycle.

Losses caused by the pest in the 1970s were estimated to be more than $300m.

Scientists have centred their research on finding new varieties of rice that are capable of resisting the pest.

The first resistant variety, IR26, was released in 1973 but after two years it succumbed to the hopper in the Philippines, Indonesia and Vietnam.

Another line, IR36, was introduced in 1976 and became popular with farmers. Its resistence held for more than six years before coming under attack from a hopper known as Biotype 3.

By this time, another variety IR56, was available which was resistant to the Biotype 3 pest. This variety is still holding its resistence and new lines are being developed at the institute in preparation for the anticipated attack of the next brown hopper biotype.

The institute says that it has developed four more resistence genes which can be deployed if and when the next generation of the hopper strikes.

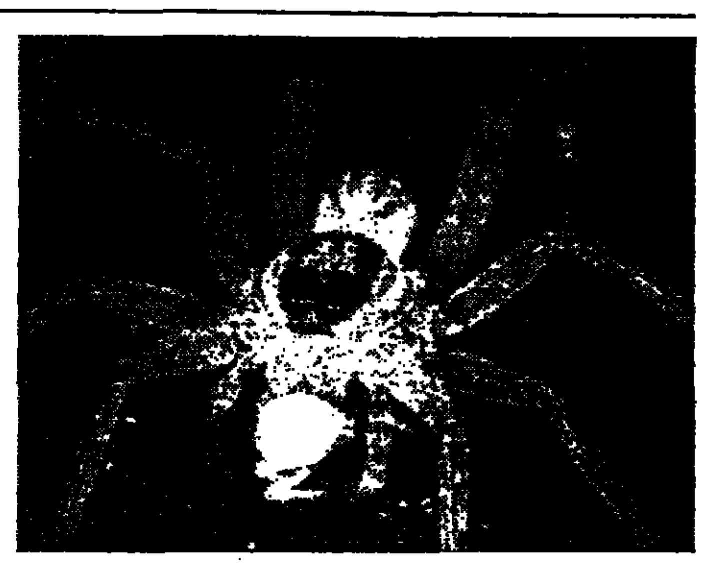
But the institute's scientists admit that the resistence of all modern rice varieties to any biotype is unstable, as it is governed by single genes. Such resistence only offers one line of defence. Pests can survive, and even thrive, on plants that used to be resistant.

The answer lies in "biological insurance," developing rices with horizontal resistence conferred by two or three major genes. This should help to keep the pests at bay for long periods. And the institute has moved "into the wild" to try to find the best genes.

"The chances of finding genes for pest resistence are 50 times greater in wild rices than in domestic rices," says Dr Duncan Vaughan, the institute's geneticist.

A gene for brown plant hopper resistence was recently transferred from *oryza officinalis*, a wild species, and a number of useful wild genes have been identified.

Institute scientists also stress that good cultural practices, rather than the indiscriminate application of chemical insecticides, play an important part in the battle to keep the brown plant hopper under control.



A wolf spider makes a meal of a brown plant hopper nymph

"Insecticides are not needed to control the brown plant hopper," says Dr Saxena. He points out that a growing number of Asian farmers are now using integrated pest management which allows the natural enemies of the hopper a chance to play their part.

The hopper spread as quickly as it did in the 1970s because the widespread use of chemical pesticides wiped out large numbers of natural predators such as spiders and wasps. If these are given a chance to survive they eat the hopper and thus keep it under control.

Some rice fields are estimated to be home to around 800 kinds of beneficial insects. *Lycosa pseudoannulata*, the wolf spider, which is common in lowland rice fields, is partial to a tasty hopper snack.

One Filipino farmer with three acres of land who has adopted integrated pest management, said that he used to spend 500 pesos (£12) a hectare on pesticides. "Now we let dragonflies, wasps and spiders, who prey on pests do the work," he said, "and save money for more urgent needs."

Another farmer said that fish, crabs and edible snails have returned to the fields since he reduced pesticide spraying, all of which "were additional food and income; we use pesticides only when needed and have learned to determine when to spray and how much pesticide to use."

Biotechnology is also expected to play a key role, helping to transfer resistant genes from the wild into farm varieties. "Biotechnological advances in the near future will provide us with unlimited opportunities to tap novel sources of resistence to the brown plant hopper and other pests," said an institute official.

International effort to meet new world screw worm threat

BRITAIN HAS pledged £1m towards an emergency £17m fund for the eradication of a flesh-eating parasite threatening humans and livestock in north-west Libya.

Announcing the pledge, made at a Rome conference held by the UN's International Fund for Agricultural Development and Food and Food and Agriculture Organisation, the Overseas Development Administration said that, unless controlled the new world screw worm was likely to spread to other African countries and could even pose a threat to southern Europe. It was unknown outside the Americas until 1988.

The screw worm fly lays its eggs on open wounds as small as a tick bite. After hatching the larvae burrow into the living flesh and about 20 per cent of their livestock victims die.

To break the reproductive cycle millions of sterile insects are to be released weekly in infested areas over a period of two years.

The US and arab banks were the biggest donors to the eradication fund, the first phase of a £65m programme.

Blow to antimony price move

By Philip Gawith in Johannesburg and Kenneth Gooding in London

ATTEMPTS BY Bolivia and China to set a producers' price for antimony metal of US$2,250 a tonne have collapsed because China, the world's major producer, failed to control a flood of exports.

The European free market price of antimony metal recently fell to $1,600 a tonne and traders believe it will not go below that level. But low prices have already claimed casualties. Dominion Explorers closed its Durham mine in New Brunswick, Canada, at the end of last year and this week Consolidated Murchison of South Africa, the Anglovaal subsidiary which produces about 12 per cent of the world's antimony, said it would cut output by 25 per cent. This would result in an unspecified number of redundancies.

Mr Mike Hawarden, Murchison's chairman, blamed uncoordinated sales and pricing policies by Chinese producers after the apparent collapse 18 months ago of the Chinese central antimony marketing organisation.

In London, Mr Howard Masters, managing director of Lambert Metals, suggested the Chinese, who supply 70 to 80 per cent of the European free market requirements, "have completely screwed up the market. There are hundred of tonnes of antimony metal available in European warehouses."

He described antimony as "an old-fashioned metal" for which demand was declining, particularly in batteries. But there was some growth in the use of antimony for flame retardants, pesticides and fungicides.

Murchison's Mr Hawarden said the company had to stop its deteriorating cash position as there was no reliable indication of any revival in antimony demand or prices. He added, however, that many customers in Europe and the US wanted Murchison material as a hedge against possible political disruption in China.

Darjeeling tea growers seek yield boost

By Kunal Bose in Calcutta

TEA PLANTERS of Darjeeling, the hill district in west Bengal that grows the most exclusive variety of the beverage, described as the champagne teas, want a programme for doubling their average yield.

The present yield in Darjeeling is the lowest among all India's tea growing centres. At 625 kg a hectare it compares with the Indian national average of 1,640 kg.

Mr Deepak Atal, chairman of the Darjeeling Planters Association, says that the doubling of productivity can only be achieved over a ten year period as it would be disastrous to chase volume to the detriment of quality. Darjeeling tea fetches substantially higher prices than the rest of Indian teas because of its unmatched flavour. Certain lines of Darjeeling tea command fancy prices of up to R5,000 (£160) a kilogram.

There are compelling reasons for India to step up the supply of Darjeeling tea over a period of time as effective world demand for the exclusive beverage will at least be four times more than production. Before the Darjeeling logo was introduced some three years ago, as much as 45m kg of tea was marketed as Darjeeling all over the world, while production had actually stagnated at around 11.5m kg. Around 65 per cent of the tea grown in Darjeeling is exported.

According to Mr Atal, the marketing of fake Darjeeling tea has been checked to a large extent following the embossing of the logo on packets containing the genuine article. There are plans to extend the campaign, so far confined to the UK, to West Germany, France, Japan and the US so that discriminating buyers can easily distinguish the real thing from the fakes.

With the return of peace in Darjeeling in August 1988, after two yeas of violent struggle for autonomy, tea planters are once again feeling confident enough to invest in the rejuvenation of gardens. Mr Atal admits that "tea bushes in Darjeeling have aged, productivity has declined and hardly anything has been done by way of replantation." He says, however, that the political stability in the region has encouraged owners to reopen closed gardens. Now only one remains to be reopened.

Tea is grown over 18,000 hectares in Darjeeling and it is believed that an additional 1,000 ha could be brought under tea cultivation without disturbing the ecology. But any substantial improvement in supply has to be sought mainly through improving productivity.

WORLD COMMODITIES PRICES

MARKET REPORT

COPPER prices continued this week's decline on the LME yesterday, while lead and zinc recovered some of their losses. Copper appeared to be restrained by trader talk of a possible 10,000-tonne increase in LME warehouse stocks tomorrow. On Comex prices were slightly ahead at midsession with traders citing resistance for September at 121 and 122 cents a lb. "Copper had quite a run and we're due for a bigger correction," said one trader. "But when that correction is going to come is anybody's guess." Lead rallied sharply in the morning on the LME. Traders said prices rose on trade buying, short covering and profit taking purchases in a market that had become oversold earlier in the week on news the eight-day strike at Cominco's Trail smelter would soon be over. Three-month zinc found support at $1,500 a tonne. Sugar prices continued to fall – New York traders said the absence of sizable buying in the cash market continued to inspire fund and commission house selling. New York orange juice futures were down sharply by midsession as July went off the board. In Chicago live cattle for August were at a new season's high by midsession on renewed demand.

Compiled from Reuters

London Markets

SPOT MARKETS

Crude oil (per barrel FOB)		+ or -
Dubai	$15.95-6.05w	+.175
Brent Blend	$18.47-8.53w	+0.20
W.T.I. (1 pm est)	$19.78-9.80w	+0.12
Oil products (NWE prompt delivery per tonne CIF)		**+ or -**
Premium Gasoline	$260-262	+2
Gas Oil	$172-174	+3½
Heavy Fuel Oil	$80-82	
Naphtha	$161-163	+2
Petroleum Argus Estimates		
Other		**+ or -**
Gold (per troy oz)♣	$360.50	-0.75
Silver (per troy oz)♣	485c	+1
Platinum (per troy oz)	$471.25	-0.25
Palladium (per troy oz)	$116.65	+0.15
Aluminium (free market)	$1535	-10
Copper (US Producer)	129.50c	
Lead (US Producer)	50.0c	
Nickel (free market)	430c	-10
Tin (Kuala Lumpur market)	15.90r	+0.06
Tin (New York)	282c	+5
Zinc (US Prime Western)	87.5c	
Cattle (live weight)†	105.08p	+0.61*
Sheep (dead weight)†	150.18p	-7.84*
Pigs (live weight)†	89.13p	-10.4*
London daily sugar (raw)	$279.8z	-8.1
London daily sugar (white)	$363z	-18
Tate and Lyle export price	£263.5	-6.5
Barley (English feed)	£108.5	
Maize (US No. 3 yellow)	£158.5	+0.5
Wheat (US Dark Northern)	Unq.	
Rubber (Aug)♥	52.00p	-0.50
Rubber (Sep)♥	52.00p	-1.00
Rubber (KL RSS No 1 Aug)	231.5m	
Coconut oil (Philippines)§	$310q	
Palm Oil (Malaysian)§	$260.5y	
Copra (Philippines)§	$210w	
Soyabeans (US)	£150t	-1
Cotton "A" index	91.30c	
Wooltops (64s Super)	475p	

£ a tonne unless otherwise stated. p-pence/kg. c-cents/lb. r-ringgit/kg. q-Sep/Oct. t-Jul/Aug. u-Oct/Dec v-Jun/Jul. w-Aug z-Aug/Sep y-Sep. †Meat Commission average fatstock prices. * change from a week ago. ♥London physical market. §CIF Rotterdam. ♣ Bullion market close. m-Malaysian cents/kg.

SUGAR – London FOX ($ per tonne)

Raw	Close	Previous	High/Low
Aug	247.60	252.00	252.40 243.00
Oct	247.80	251.60	250.40 244.20
Dec	260.00	265.00	260.00 251.00
Mar	237.20	241.40	240.00 235.00
May	238.40	242.40	241.00 237.60
Aug	239.40	244.00	241.00
Oct	238.00	242.40	238.00 237.40
White	**Close**	**Previous**	**High/Low**
Oct	309.5	317.0	311.0 303.0
Dec	305.5	312.0	307.0 299.5
Mar	305.0	311.0	306.9 301.5
May	306.0	310.5	307.0 302.5
Aug	309.0	314.0	310.0 306.0
Oct	301.0	306.0	300.0 299.0

Turnover: Raw4316 (6403)lots of 50 tonnes. White 1143 (1985)
Paris- White (FFr per tonne): Oct 1689, Dec 1695 Mar 1665, May 1690, Aug 1730

CRUDE OIL – IPE ($/barrel)

	Close	Previous	High/Low
Sep	18.38	18.15	18.70 18.10
Oct	18.67	18.60	18.95 18.47
Nov	18.78		18.98 18.70
Dec	18.73	18.60	18.67
IPE Index	18.21	17.83	

Turnover: 10131 (8387)

GAS OIL – IPE ($/tonne)

	Close	Previous	High/Low
Aug	171.00	169.75	174.00 168.50
Sep	172.00	168.75	175.50 168.25
Oct	174.50	173.00	177.00 170.50
Nov	175.50	174.50	177.50 172.50
Dec	176.75	176.00	178.50 174.50
Jan	176.50	175.00	176.50 173.50
Feb	170.25	167.50	170.75 165.00

Turnover 11507 (11050)lots of 100 tonnes

WOOL

The resumption of the Australian auctions after the recess has done nothing to restore badly-needed confidence: the Wool Corporation continuing to take high percentages of the offerings. And news of the proposed slaughter of millions of sheep in Australia because of a drop in demand for wool and meat, and dry weather problems, has failed to produce any urgency in view of a stockpile of more than three million bales. Bradford trading has been restricted to small weights for early delivery, export continuity orders, and home trade interest in broken tops.

COCOA – London FOX (£/tonne)

	Close	Previous	High/Low
Jul	732	738	732 730
Sep	749	751	752 736
Dec	781	783	781 766
Mar	808	810	810 798
May	828	830	828 815
Jul	847	850	850 838
Sep	867	870	870 858

Turnover: 4200 (3479) lots of 10 tonnes
ICCO indicator prices (SDRs per tonne). Daily price for Jul 17 984.67 (994.89) 10 day average for Jul 18 1002.26 (1007.94)

COFFEE – London FOX (£/tonne)

	Close	Previous	High/Low
Jul	532	534	533 529
Sep	556	556	558 550
Nov	573	580	578 570
Jan	594	600	596 592
Mar	612	618	614 610
May	629	637	630 628
Jul	646	657	650 646

Turnover: 2340 (1683) lots of 5 tonnes
ICO indicator prices (US cents per pound) for July 17: Comp. daily 67.33 (67.00). 15 day average 67.68 (67.72)

POTATOES – BFE (£/tonne)

	Close	Previous	High/Low
Nov	90.0	89.5	92.0 90.0
Apr	125.0	123.5	127.8 124.0
May	136.0	133.8	137.0 135.0

Turnover 311 (192) lots of 40 tonnes.

SOYABEAN MEAL – BFE (£/tonne)

	Close	Previous	High/Low
Aug	108.50	108.00	108.50
Oct	111.00	112.00	112.50 110.50

Turnover 445 (60) lots of 20 tonnes.

FREIGHT FUTURES – BFE ($10/index point)

	Close	Previous	High/Low
Jul	1098	1099	1101 1100
Aug	1105	1095	1105 1093
Oct	1215	1197	1215 1185
Jan	1230	1228	1240 1200
Apr	1234	1229	1245 1205
BFI	1091	1086	

Turnover 294 (220)

GRAINS – BFE (£/tonne)

Wheat	Close	Previous	High/Low
Sep	111.10	111.20	111.10 110.80
Nov	115.10	115.40	115.10 114.80
Jan	118.85	119.15	119.00 118.85
Mar	122.40	122.60	122.40 122.10
Barley	**Close**	**Previous**	**High/Low**
Sep	109.80	109.75	109.85 109.60
Nov	114.00	114.20	114.00 113.90
Jan	117.70	117.25	117.70 117.10
Mar	120.85		120.80
May	122.10		122.00

Turnover: Wheat 193 (196), Barley 140 (27).
Turnover lots of 100 tonnes.

PIGS – BFE (Cash Settlement) p/kg

	Close	Previous	High/Low
Aug	119.0		119.0
Sep	118.5		
Oct	118.0	118.0	118.0

Turnover 14 (14) lots of 3,250 kg

LONDON METAL EXCHANGE (Prices supplied by Amalgamated Metal Trading)

	Close	Previous	High/Low	AM Official	Kerb close	Open interest
Aluminium, 99.7% purity ($ per tonne)						Total daily turnover 7,909 lots
Cash	1548-50	1539-41	1537/1536	1537-8		
3 months	1582-3	1572-3	1588/1572	1572-3	1588-9	40,423 lots
Copper, Grade A (£ per tonne)						Total daily turnover 20,601 lots
Cash	1505-7	1526-8	1498/1497	1500-1		
3 months	1477-8	1493-4	1480/1467	1472-3	1478-9	81,431 lots
Lead (£ per tonne)						Total daily turnover 2,516 lots
Cash	465-7	454-6	466	474-5		
3 months	472-3	463-4	478/465	478-9	470-2	10,620 lots
Nickel ($ per tonne)						Total daily turnover 1,670 lots
Cash	9675-700	9525-50	9310/9250	9300-10		
3 months	9675-700	9525-50	9700/9250	9350-400	9600-50	9,723 lots
Tin ($ per tonne)						Total daily turnover 873 lots
Cash	6025-35	5950-70		5990-6000		
3 months	6150-5	6070-90	6160/6100	6120-30	6120-40	4,998 lots
Zinc, Special High Grade ($ per tonne)						Total daily turnover 8,982 lots
Cash	1547-52	1520-5	1535	1534-5		
3 months	1519-20	1491-2	1534/1500	1500-5	1519-20	20,138 lots

LME Closing £/$ rate:
SPOT: 1.8205 | 3 months: 1.7902 | 6 months: 1.7642 | 9 months: 1.7420

LONDON BULLION MARKET

Gold (fine oz)	$ price	£ equivalent
Close	360¼-360¾	197½-198
Opening	359½-360	197-197½
Morning fix	360.10	197.532
Afternoon fix	359.40	197.364
Day's high	360½-361	
Day's low	359¼-359¾	

Coins	$ price	£ equivalent
Mapleleaf	369-374	202½-205½
Britannia	369-374	202½-205½
US Eagle	369-374	202½-205½
Angel	369-374	202½-205½
Krugerrand	360-363	197½-199½
New Sov.	86-88	47-48½
Old Sov.	86-88	47-48½
Noble Plat	476.90-484.45	262.10-266.25

Silver fix	p/fine oz	US cts equiv
Spot	264.55	482.70
3 months	274.55	492.65
6 months	284.40	502.80
12 months	303.05	523.30

TRADED OPTIONS

Aluminium (99.7%)	Calls		Puts	
Strike price $ tonne	Sep	Nov	Sep	Nov
1500	82	107	9	19
1600	24	49	50	58
1700	4	17	128	123
Copper (Grade A)	**Calls**		**Puts**	
2560	182	143	28	97
2650	116	97	60	148
2750	67	63	109	211
Coffee	**Sep**	**Nov**	**Sep**	**Nov**
500	58	84	4	12
550	23	51	18	29
600	7	30	53	58
Cocoa	**Sep**	**Dec**	**Sep**	**Dec**
700	63	106	11	28
750	29	79	30	46
800	13	52	64	72
Brent Crude	**Sep**	**Oct**	**Sep**	**Oct**
1750			24	30
1800	67	93	48	
1850	47	77	66	

New York

GOLD 100 troy oz.; $/troy oz.

	Close	Previous	High/Low	
Jul	361.6	362.0	0	0
Aug	362.5	363.0	363.9	360.5
Sep	364.4	364.9	364.0	363.5
Oct	366.7	367.3	366.2	365.0
Dec	371.3	371.9	372.7	369.5
Feb	375.7	376.4	375.7	374.4
Apr	379.9	380.7	379.3	379.3
Aug	388.5	389.4	0	0

PLATINUM 50 troy oz; $/troy oz.

	Close	Previous	High/Low	
Jul	472.6	472.3	474.0	470.0
Aug	475.1	474.8	0	0
Oct	478.6	479.3	482.0	476.5
Jan	485.4	485.1	495.0	482.5
Apr	490.6	490.3	489.0	0
Jul	495.3	496.0	495.0	0

SILVER 5,000 troy oz; cents/troy oz.

	Close	Previous	High/Low	
Jul	488.4	481.4	488.0	482.5
Aug	489.6	482.9	486.0	483.5
Sep	493.5	486.9	495.5	485.2
Dec	504.5	497.8	506.5	496.0
Jan	507.5	500.6	0	0
Mar	515.3	508.2	510.0	508.0
May	522.5	515.3	515.5	514.0
Jul	530.1	522.7	526.0	521.4
Sep	537.8	530.4	0	0
Dec	549.9	541.6	0	0

HIGH GRADE COPPER 25,000 lbs; cents/lbs

	Close	Previous	High/Low	
Jul	121.30	122.75	123.50	121.10
Aug	120.90	121.50	122.00	120.30
Sep	119.30	120.00	120.80	119.20
Oct	117.05	117.75	0	0
Nov	114.95	115.30	0	0
Dec	111.70	112.35	113.00	111.70
Jan	109.70	110.35	0	0
Mar	105.70	106.30	106.80	106.10
Apr	104.40	104.95	0	0
May	102.70	103.20	103.70	103.70

CRUDE OIL (Light) 42,000 US galls $/barrel

	Close	Previous	High/Low	
Aug	18.53	18.65	18.85	18.38
Sep	19.60	19.77	20.00	19.51
Oct	20.27	20.31	20.67	20.18
Nov	20.55	20.56	20.90	20.42
Dec	20.76	20.75	21.00	20.60
Jan	20.90	20.83	21.00	20.72
Feb	20.90	20.86	21.00	20.70
Mar	20.87	20.88	21.00	20.75
Apr	20.97	20.90	21.00	20.78
May	21.00	20.92	20.96	20.80

HEATING OIL 42,000 US galls, cents/US galls

	Close	Previous	High/Low	
Aug	5625	5608	5765	5570
Sep	5750	5728	5895	5670
Oct	5850	5831	5970	5775
Nov	5930	5921	6030	5880
Dec	6020	6006	6150	5970
Jan	6050	6059	6175	6030
Feb	5990	5975	6100	5940
Mar	5750	5775	5870	5750
Apr	5640	5595	5855	5617

COCOA 10 tonnes;$/tonnes

	Close	Previous	High/Low	
Sep	1244	1225	1248	1213
Dec	1285	1266	1285	1252
Mar	1317	1299	1316	1293
May	1343	1323	1340	1330
Jul	1367	1338	1365	1365
Sep	1392	1360	1365	0
Dec	1423	1393	1395	0

COFFEE "C" 37,500lbs; cents/lbs

	Close	Previous	High/Low	
Jul	85.80	84.20	86.50	84.25
Sep	87.95	86.25	88.90	86.60
Dec	91.50	89.85	92.00	90.20
Mar	94.50	92.90	95.00	93.25
May	96.00	94.50	96.00	95.00
Jul	97.75	96.25	0	0
Sep	98.75	98.05	99.90	0
Dec	101.50	101.25	0	0

SUGAR WORLD "11" 112,000 lbs; cents/lbs

	Close	Previous	High/Low	
Oct	10.89	11.19	11.08	10.90
Mar	10.66	10.87	10.75	10.59
May	10.71	10.90	10.79	10.63
Jul	10.72	10.95	10.83	10.66
Oct	10.83	11.00	10.86	10.80

COTTON 50,000; cents/lbs

	Close	Previous	High/Low	
Oct	78.21	78.75	79.15	78.07
Dec	74.08	74.73	75.18	73.95
Mar	74.88	75.45	75.70	74.80
May	75.15	75.75	76.00	75.10
Jul	75.01	75.80	75.86	75.00
Oct	70.12	70.45	0	0

ORANGE JUICE 15,000 lbs; cents/lbs

	Close	Previous	High/Low	
Jul	186.85	186.85	186.00	181.00
Sep	175.85	178.40	177.40	173.40
Nov	167.95	170.65	169.50	165.65
Jan	163.35	166.25	165.00	162.00
Mar	162.75	164.75	164.00	162.00
May	162.25	164.55	164.00	163.00
Jul	162.25	164.25	0	0

INDICES

REUTERS (Base: September 18 1931 = 100)

Jul 18	Jul 17	mnth ago	yr ago
1808.5	1820.0	1844.2	1937.6

DOW JONES (Base: Dec. 31 1974 = 100)

	Jul 17	Jul 16	mnth ago	yr ago
Spot	132.32	132.08	131.11	130.16
Futures	131.28	131.92	131.09	128.86

Chicago

SOYABEANS 5,000 bu min; cents/60lb bushel

	Close	Previous	High/Low	
Jul	600/0	595/0	603/0	598/0
Aug	602/0	599/0	606/0	599/0
Sep	607/0	604/2	611/4	605/0
Nov	618/4	616/0	624/0	616/0
Jan	631/0	628/0	635/2	628/6
Mar	642/4	640/0	646/2	639/4
May	648/4	647/0	653/0	646/4
Jul	653/0	652/0	659/4	652/4

SOYABEAN OIL 60,000 lbs; cents/lb

	Close	Previous	High/Low	
Jul	23.88	24.15	24.15	23.77
Aug	23.58	23.78	23.82	23.57
Sep	23.60	23.74	23.85	23.59
Oct	23.60	23.66	23.83	23.58
Dec	23.56	23.62	23.82	23.52
Jan	23.55	23.55	23.83	23.55
Mar	23.55	23.52	23.65	23.55
May	23.56	23.41	23.58	23.55

SOYABEAN MEAL 100 tons; $/ton

	Close	Previous	High/Low	
Jul	175.1	173.2	175.4	173.5
Aug	175.7	174.1	176.6	174.3
Sep	177.4	175.6	178.4	176.0
Oct	178.6	177.1	179.8	177.7
Dec	182.3	180.4	183.6	180.7
Jan	183.0	181.5	184.5	182.0
Mar	185.7	183.5	186.0	184.0
May	186.7	185.0	187.0	186.2
Jul	188.0	186.2	188.6	188.0

MAIZE 5,000 bu min; cents/56lb bushel

	Close	Previous	High/Low	
Jul	272/0	273/4	277/0	271/4
Sep	261/6	263/2	266/0	261/4
Dec	256/2	258/2	260/0	256/0
Mar	263/0	265/2	266/4	262/6
May	267/6	270/0	271/2	267/0
Jul	270/0	272/4	274/6	269/4
Sep	265/0	267/0	267/0	265/0
Dec	260/4	261/0	262/4	260/4

WHEAT 5,000 bu min; cents/60lb-bushel

	Close	Previous	High/Low	
Jul	301/0	301/6	304/4	300/0
Sep	307/2	309/2	310/6	307/0
Dec	322/4	324/0	327/0	322/0
Mar	330/2	330/6	333/4	330/0
May	326/4	327/2	335/0	327/0
Jul	326/4	328/0	330/4	326/0

LIVE CATTLE 40,000 lbs; cents/lbs

	Close	Previous	High/Low	
Aug	76.27	75.57	76.30	75.65
Oct	76.95	76.87	77.22	76.72
Dec	76.52	76.40	76.70	76.37
Feb	76.10	75.90	76.20	75.82
Apr	76.75	76.57	76.75	76.52
Jun	73.90	73.70	73.95	73.72
Aug	72.45	72.37	72.62	72.37

LIVE HOGS 30,000 lb; cents/lbs

	Close	Previous	High/Low	
Jul	63.95	63.82	64.40	63.27
Aug	59.72	60.60	61.00	59.55
Oct	52.92	54.37	54.65	52.87
Dec	51.87	53.27	53.50	51.77
Feb	50.30	51.45	51.65	50.00
Apr	46.50	47.50	47.50	46.40
Jun	50.27	51.00	51.00	50.25
Jul	50.60	51.09	50.70	50.40

PORK BELLIES 40,000 lbs; cents/lb

	Close	Previous	High/Low	
Jul	49.50	50.50	51.00	48.50
Aug	48.42	48.42	49.60	46.42
Feb	54.60	56.20	57.00	54.60
Mar	54.67	56.28	56.85	54.55
May	55.72	56.40	58.02	55.00

LONDON STOCK EXCHANGE

Strong pound does nothing for shares

A COMBINATION of firmness in sterling and early weakness on Wall Street proved the undoing of the UK stock market yesterday, and by the end of the day the FT-SE Index was struggling to hold on to the 2,400 level regained at the beginning of the week.

The early part of the session was brightened by the placing of the UK Government's remaining stake of more than 50m shares in British Gas. Excluding this deal, trading volume remained unimpressive and the international blue chips had a uniformly bad day as investors digested a sterling exchange rate now firmly in the DM 3.00 area.

Account Dealing Dates		
*First Dealings:		
Jul 9	Jul 23	Aug 6
Option Declarations:		
Jul 19	Aug 2	Aug 16
Last Dealings:		
Jul 20	Aug 3	Aug 17
Account Day:		
Jul 30	Aug 13	Aug 28

*New-time dealings may take place from 8.30 am two business days earlier.

An erratic day's trading saw the market close with a loss of 13 points at FT-SE 2,402, after reversing an early gain of almost ten points. Seaq volume jumped to 595.2m shares from Tuesday's 493.6m, but the total included 141m shares of British Gas and 8.6m of Sainsbury.

Equities opened lower after Wall Street had failed to hold above Dow 3,000 overnight and Mr John Major, the UK Chancellor of the Exchequer, quoting the sharp rise in UK Public Sector Borrowing Requirement announced on Wednesday afternoon, had warned against optimism for early cuts in domestic interest rates.

The market turned higher, however, as a lengthy list of large deals in British Gas danced across trading screens, indicating that the British Government was disposing of the shares retained to provide the "loyalty bonus" to shareholders.

The placing was well received by the market and the stock was taken up within minutes by investment institutions, although the deal was at only a modest discount to the market price.

Another similarly successful, albeit much smaller, placing of shares in Sainsbury, the food supermarket group, was seen as further evidence of the continued willingness of the big investment funds to take up large lines of good quality stock at prices not far below current market levels. The previous session saw a placing of 20m shares in Storehouse, the store group, also receive a warm welcome from equity fund managers.

The market peaked early with a gain of 9.6 Footsie points, but began to melt away in the absence of further buying support. The index was pulled back by a lengthening list of losses in such international leaders as ICI, Glaxo and BAT Industries; the chairman of BAT said in Frankfurt that sterling's firmness would affect 1990 earnings.

The final blow came when Wall Street opened the new session in retreat from the Dow 3,000 mark as Mr Alan Greenspan, the head of the Federal Reserve Board, told the US Senate Banking Committee that the Fed was not seeking to lower US interest rates but rather to increase credit.

FINANCIAL TIMES STOCK INDICES

	July 18	July 17	July 16	July 13	July 12	Year Ago	1990 High	1990 Low	Since Compilation High	Since Compilation Low
Government Secs	79.56	79.49	79.73	78.94	78.72	86.30	84.20 (2/1)	74.13 (30/4)	127.4 (9/1/35)	49.18 (3/1/75)
Fixed Interest	87.99	87.75	87.81	87.34	87.28	96.89	92.91 (3/1)	83.80 (30/4)	105.4 (28/11/47)	50.53 (3/1/75)
Ordinary Share	1900.6	1912.9	1900.9	1880.1	1870.1	1903.2	1968.3 (3/1)	1653.6 (30/4)	2008.6 (5/9/89)	49.4 (26/6/40)
Gold Mines	179.4	181.7	184.4	175.7	172.7	199.0	378.5 (6/2)	167.9 (15/6)	734.7 (15/2/83)	43.5 (26/10/71)
FT-SE 100 Share	2402.0	2415.0	2408.5	2382.2	2370.5	2292.5	2463.7 (3/1)	2103.4 (30/4)	2463.7 (3/1/90)	986.9 (23/7/84)
Ord. Div. Yield	4.88	4.85	4.88	4.93	4.95	4.23				
Earning Yld %(full)	10.74	10.68	10.78	10.89	10.96	9.91				
P/E Ratio(Net)(☆)	11.29	11.36	11.25	11.14	11.06	12.16				
SEAQ Bargns 4.45pm	28,834	30,924	28,437	25,984	27,602	29,000				
Equity Turnover(£m)†	-	986.73	679.11	879.24	969.89	1436.16				
Equity Bargains†	-	30,718	28,547	26,029	27,536	32,484				
Shares Traded (ml)†	-	396.7	307.6	378.3	388.3	468.7				

Basis 100 Govt. Secs 15/10/26, Fixed Int. 1928, Ordinary 1/7/35, Gold mines 12/9/55. Basis 1000 FT-SE 100 31/12/83. ☆ Nil 11.14

Ordinary Share Index, Hourly changes — Day's High 1921.8 — Day's Low 1900.6

Open	9 am	10 am	11 am	12 pm	1 pm	2 pm	3 pm	4 pm
1912.6	1912.0	1920.2	1918.1	1913.7	1913.6	1910.3	1910.3	1901.7

FT-SE, Hourly changes — Day's High 2424.8 — Day's Low 2401.7

Open	9 am	10 am	11 am	12 pm	1 pm	2 pm	3 pm	4 pm
2439.0	2413.0	2422.8	2421.4	2416.3	2415.1	2411.1	2407.0	2402.0

GILT EDGED ACTIVITY

Indices*	July 17	July 16
Gilt Edged Bargains	89.1	89.3
5-Day average	94.4	96.2

*SE Activity 1974.
†Excluding intra-market business & Overseas turnover.

London report and latest Share index: Tel. 0898 123001.

TRADING VOLUME IN MAJOR STOCKS

Stock	Volume 000's	Closing Price	Day's change	Stock	Volume 000's	Closing Price	Day's change	Stock	Volume 000's	Closing Price	Day's change	Stock	Volume 000's	Closing Price	Day's change
AGT	391	173	-2	Courtaulds	1,100	380	-9	Manpower	281	78		Smith (W H) A	269	302	
ASDA Group	6,730	116	-2	Dalgety	71	381	-2	Marks & Spencer	6,800	240	-6	Smith & Nephew	2,000	119	+1
Abbey National	3,300	225	+4	Dixons	798	151		Maxwell Comms.	1,000	190	-1	SmKl Beecham	963	584	-5
Allied-Lyons	733	504	-3	ECC Group	520	404	-1	Mecca Leisure	392	81	+1	SmKl Beecham Units	67	2580	-45
Amstrad	863	68		Enterprise Oil	2,800	655	-3	Midland Bank	8,100	305	+3	Smiths Inds.	195	233	-1
Anglian Water	1,130	151	-4	FKI	374	69	-1	NatWest Bank	3,600	337	+2	South West Water	2,000	158	+2
Argos	919	238		Ferranti	279	33		Next	507	40		Southern Water	1,600	152	-2
Argyll Group	6,100	251	+1	Fisons	2,000	363	+2	North West Water	4,430	153	-3	Standard Chartd.	474	440	-1
Ass. Brit. Foods	304	418	-1	Gen. Accident	295	538	-5	Northern Foods	37	343	-2	Storehouse	886	124	+1
BAA	2,800	457	+2	General Elect.	4,400	232	-1½	Northumbrian Water	311	364	-3	Sun Alliance	2,400	345	-2
BAT Inds.	1,400	632	-9	Glaxo	2,700	853	-22	Pearson	497	804	+4	Sun Life	190	1178	-22
[illegible]				[illegible]				[illegible]				[illegible]			

Based on trading volume for most Alpha securities dealt through the SEAQ system yesterday until 4.30pm.

Final disposal of Gas

HEAVY TURNOVER early in the session in British Gas alerted the market to what emerged as a large-scale placing of stock. The weight of stock being placed, 54m shares at 220¾p, against a then ruling market price of 224p, identified the deal as the placing of the remaining stake held by the UK Government.

The stock had been retained by the Government to provide for the one-for-ten loyalty bonus to shareholders who retained their Gas shares from the original flotation some three years ago. Warburg Securities was said to have placed the shares with institutions within ten minutes, according to specialists.

"All credit to Warburg for winning what was obviously a very tightly priced deal," said another broker. He mentioned that the speed with which the stock was placed "speaks volumes for underlying demand for a stock which two years ago was something of a pariah."

Another broker said that although the placing would inevitably mean that short-term demand for Gas would be satisfied, "the yield is irresistible and there is a guaranteed 15 per cent dividend growth." The Gas share price closed a penny off at 222p, with turnover reaching 141m, a figure inflated by double counting of the shares placed and also by some large lines of stock, totalling 28m shares, traded during the afternoon.

Burton deal

Burton staged a late run after hours last night, according to analysts, after the company said it wanted to sell its property development business Burton Property Trust. The shares had already performed strongly in the wake of confirmation of the sale of its financial services operation to GE, of the US.

The shares were said to have reached 120p after trading had officially ended with the price at 109p, up 5 on the session. Turnover at that point was a busy 6.9m shares.

Mr Nick Bubb at Morgan Stanley warned that investors "should not get too carried away" with developments. "The question still remains: 'Where is Burton's retailing going?' And in the short term it is still going downhill."

Earlier, analysts and marketmakers had welcomed the sale of the financial services unit. The £182.7m price was near the top of the range of expectations, said Mr Keith Wills of Goldman Sachs. He added that as a result of the deal gearing could fall as low as 53 per cent, from 130 per cent, excluding property write-offs.

Hoskyns sold

News that the French computing services group Cap Gemini Sogeti is to acquire control of Hoskyns, the UK software house, for £199m triggered an upsurge in not only the Hoskyns share price, but also in those of other software groups.

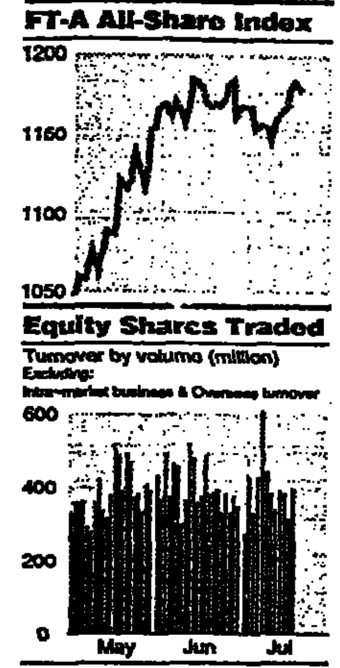
Hoskyns is 69.5 per cent owned by GEC and the German group Siemens who acquired Hoskyns this year when they won control of Plessey. CGS is paying 330p a share for the GEC/Siemens holding, and under the terms of UK takeover rules will make an offer for the minority stake. Hoskyns shares advanced 60 to 355p, with specialists taking the view that the CGS bid price was reasonable.

The bid also caused ripples throughout the rest of the UK computer software sector where CGS is a substantial force. Earlier this week CGS bought SD-Scicon's West German subsidary for £39m, and has also recently been adding to its stake in Sema, the biggest of the UK software houses. The stake was last notified at the start of the month as being 25 per cent.

The Sema share price dropped 20 to 610p on the bid news. But others raced higher, led by Logica, which is the last of the big software groups without a major stake held by a third party. Logica was ahead 15 at 203p, after 209p. Admiral Computing gained 8 at 233p, after 235p.

BAT Industries' chairman acknowledged that the company's 1990 earnings would be hurt by the strong pound and the shares eased 9 to 633p. Traders said the confirmation that big overseas earners would feel the currency pinch also depressed ICI, 16 lower at one point and finally off 9 at 1156p, Glaxo 22 cheaper at 853p, and Wellcome, down 13 at 580p. Traders said there were vague rumours that ICI would announce a rights issue with its interims on July 26.

Reuters continued to weaken on the decision by Goldman Sachs' New York office on Tuesday to take the stock off its short term buy list. The shares lost another 17 to 1265p.



British Telecom slipped back to close 7 down at 302p in good volume of 10m, after confirmation of tariff increases averaging 5.3 per cent was accompanied by news that the rises, the maximum allowed under price control rules, would be investigated by Oftel, the telecommunications industry's regulatory body.

Another bearish factor for BT was a profits downgrade carried out by the County NatWest telecoms team. County "trimmed" their 1990-91 pre-tax profits forecast by £75m to £3bn and that for 1991-92 by £90m to £3.41bn "to reflect growing caution over BT's volume growth trends."

Regarding the Oftel investigation, another specialist pointed out that "Oftel investigates every price increase or decrease as a matter of course; it is no big deal." But he said the reduction in international call charges would also affect Cable and Wireless, which similarly came under pressure to close 8 down at 550p on 2.8m shares.

Turnover in Hillsdown was swollen by an agency cross of 2m shares, believed to have been executed by Hoare Govett at around 300p. Hillsdown closed unchanged at 297p and turnover stood at 5m shares.

Budgens was underpinned by news that IEP Securities, the UK investment vehicle controlled by Sir Ron Brierley, the New Zealand businessman, had raised its stake to 14.11 per cent from 9.4. Mr Philip Dorgan of Goldman Sachs said the move was not a prelude to a bid by Sir Ron. Instead, IEP had bought the Budgen shares in order to give it a lower average purchase price for its holding. Budgen closed unchanged at 62p.

Sainsbury firmed 2 to 302p following the successful placing of just less than 3m shares at 300p by S.G. Warburg. The general market view was that the placing had been made on behalf of the Sainsbury family, but there was no confirmation of this.

Tesco rose 1½ to 242½p after S.G. Warburg raised its estimate for current year profits to £400m from £390m. Warburg said buoyant trading conditions had prompted it to revise its forecast.

Asda slipped 2 to 116p on concern after the company indicated that first-half profits would be below last year's £83.5m. Asda visited a number of brokerages yesterday and traders speculated that profits could be closer to £60m than the £70m or more originally estimated.

Profit-takers moved in on Marks and Spencer, leaving the shares 6 lower at 240p. There was also talk of a placing by a large agency broker.

Carlton Communications' precipitous decline in recent days came to a halt yesterday. The shares recovered 10 from the year's low to 430p. The price had been hurt by a series of brokers' downgradings.

The market judged the good news in the First Leisure's results and chairman's statement to outweigh the depressing effect of a one-for-eight rights issue raising £30.7m. Interim profits were 23 per cent higher at £10.1m. Lord Delfont, the chairman, said: "I am encouraged by this year's performance to date and I believe that the outcome for the year will show further satisfactory progress." The shares climbed 6 to 221p.

Cityvision, which owns the UK's biggest chain of video hire stores, had a good day after posting an 81 per cent jump in profits to £8.3m. The shares peaked at 112p yesterday before closing 2½ better on the day at 109½p.

In February 1990 Cityvision had a £25m rights issue and paid £5.4m for a rival chain of 44 video stores in the south of England.

Hunterprint continued to move erratically in a very thin market. Yesterday the shares slipped 4 to 34p, after two days of sharp rises in the wake of results last week.

Aegis, formerly WCRS, continued to benefit from BZW's detailed buy note. The shares firmed 3 to 275p.

The broker's downgrading which hit Ocean both yesterday and on Tuesday came from UBS Phillips & Drew. The shares bottomed at 354p and finished at 358p, down 11 on the day and 20 over the two sessions.

Traders reported selling in New York yesterday afternoon of British Airways. The decline of 4 to 214p was entirely in late trading.

Isle of Man Steam Packet dropped to £1 at one stage after the Isle of Man Parliament tried to block the bid from Sea Containers. The shares recovered by the close to 107p, still a fall of 17p.

Hawker Siddeley rose 16 to 580p on buying by Kleinwort Benson before slipping back to close at 568p. Analysts at Kleinwort said the decline last week in reaction to Hawker's profits warning had been overdone. But a two-way pull developed as Hoare Govett said the stock was overvalued. Hoare said renewed worries about Hawker's power engineering division could undermine its share price. Vickers rose 5 to 241p as analysts visited the company.

Lucas fell 4 to 156p following a reduction in profit forecasts by Salomon Brothers. According to Salomon, continued weakness in the UK automotive sector had caused it to cut its forecast to £190m from £197m. But Salomon left its 1991 forecast of £209m unchanged. It said a more stable automotive market, buoyancy in civil aerospace and a cut in interest rates would allow profits to recover next year.

Among chemicals, Laporte pushed ahead by several pence to 574p, helped again by speculation that it may qualify for inclusion in the FT-SE 100 stocks list, for which it is already on the reserve. This possibility, which could be expected to increase interest in the shares by the index-linked investment funds, outweighed uneasiness over the implications of currency factors for group profits. Also discouraging the shares has been the outlook for the property sector, which contributed £3.6m to last year's profits total of £100.3m.

Courtaulds gave back Tuesday's gain to end 10 down at 379p as the latest developments in currencies drew attention to the group's policy of using year-end rates for its profit and loss accounts. The shares remain on a discount of around 7.7 per cent to the market for the current year.

Yorkshire Chemicals fell 8 to 457p ahead of the interim profits, due on the first of next month. The shares have performed well recently and will probably consolidate around current levels, according to Kleinwort Benson Securities, which has become broker to the company.

Across the rest of the sector, the spate of downgradings over the past few weeks continued to keep interest subdued. Foseco, regarded as vulnerable on grounds of adverse currency trends and also to gloomy views on its business in Canada and Brazil, saw little business and closed a touch off at 222p.

Hickson International (169p) and Yule Catto (124p), also recent victims of downgrades by UK brokers, were also left on the sidelines yesterday. There was some demand for Rentokil (210p) and others to edge higher included Wardle Storeys (324p) and Rechem (617p).

A five per cent improvement in year-end profits from Bespak, a manufacturer of specialised aerosol valve systems, helped the shares rise 4 to 317p, after 320p.

USM-quoted Clearmark, the leisure and publishing combine formerly known as Fergabrook, eased ¼ to 9¾p after the chairman of its children's leisure division resigned.

■ Other Market statistics, including the FT-Actuaries share index, Page 22

NEW HIGHS AND LOWS FOR 1990

NEW HIGHS (58).
BRITISH FUNDS (1) AMERICANS (2) BANKS (3) BREWERS (2) BUILDINGS (3) CHEMICALS (1) ELECTRICALS (5) ENGINEERING (3) FOODS (11) INDUSTRIALS (7) American Business Systems, Bimec Industries, British Vita, Goode Durrant, Hadleigh Industries, High-Point, Proteus International, INSURANCE (3) LEISURE (2) NEWSPAPERS (3) PAPERS (1) TRANSPORT (1) TRUSTS (8).
NEW LOWS (78).
AMERICANS (4) CANADIANS (2) BANKS (1) CHEMICALS (3) STORES (3) ELECTRICALS (6) ENGINEERING (1) FOODS (1) INDUSTRIALS (12) AAF Invs., Associated Energy, BTS, Barrett (Henry), Beaverco, British Fittings, Medeva, Melville, Securiguard, Tubular Edgington, Wellcome, Wyndham, INSURANCE (5) LEISURE (4) MOTORS (2) NEWSPAPERS (1) PAPERS (4) PROPERTY (8) SOUTH AFRICANS (1) TEXTILES (1) TRUSTS (11) OILS (1) MINES (5) THIRD MARKET (2).

LONDON SHARE SERVICE

BRITISH FUNDS

"Shorts" (Lives up to Five Years)

Five to Fifteen Years

Over Fifteen Years

Undated

Index-Linked

1990 High	1990 Low	Stock	Price £	+ or -	Yield Int.	Yield Red.
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

BRITISH FUNDS—Contd

1990 High	1990 Low	Stock	Price £	+ or -	Yield (1)	Yield (2)
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

Prospective real redemption rate on projected inflation of (1) 10% and (2) 5%. (b) Figures in parentheses show RPI base for indexing, (ie 8 months prior to issue) and have been adjusted to reflect rebasing of RPI to 100 in January 1987. Conversion factor 3.945. RPI for November 1989: 118.5 and for June 1990: 126.7.

INT. BANK AND O'SEAS

1990 High	1990 Low	Stock	Price £	+ or -	Yield Int.	Yield Red.
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

CORPORATION LOANS

1990 High	1990 Low	Stock	Price £	+ or -	Yield Int.	Yield Red.
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

COMMONWEALTH & AFRICAN LOANS

1990 High	1990 Low	Stock	Price £	+ or -	Yield Int.	Yield Red.
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

LOANS

Building Societies

Public Board and Ind.

1990 High	1990 Low	Stock	Price £	+ or -	Yield Int.	Yield Red.
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

FOREIGN BONDS & RAILS

1990 High	1990 Low	Stock	Price £	+ or -	Div %	Red. Yield
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

AMERICANS

1990 High	1990 Low	Stock	Price	+ or -	Div Gross	C'vr	Y'ld Gr's
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

AMERICANS—Contd

1990 High	1990 Low	Stock	Price	+ or -	Div Gross	C'vr	Y'ld Gr's
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

CANADIANS

1990 High	1990 Low	Stock	Price	+ or -	Div Gross	C'vr	Y'ld Gr's
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

Continued on next page

APPOINTMENTS

Personnel chief at Nationwide Anglia Building Society

■ Mr Jeremy del Strother has been appointed general manager in charge of human resources at NATIONWIDE ANGLIA BUILDING SOCIETY. He will be responsible for all personnel activities.

Mr del Strother was made personnel manager in 1982, deputy general manager of personnel and training in 1984, deputy general manager of investors in 1988 and general manager of estates in 1989.

■ GAS TRANSMISSION has appointed as a non-executive director Sir Philip Jones, chairman of Total Oil Marine and former chairman of the Electricity Council.

■ Mr Ron Gibbon has been appointed director of the national transmission system at BRITISH GAS headquarters. He was director, construction.

■ EAGLE STAR INVESTMENT MANAGERS has appointed Mr Douglas J. de Brûle as finance director. He joins from Midland Bank where he held senior appointments in the Forward Trust Group and Midland Montagu Corporate Banking.

■ ARCO CHEMICAL EUROPE INC, Maidenhead, has appointed Mr Clive Thompson as vice president special projects. He was chief executive, corporate resource division, BP Chemicals.

■ Mr David Hargreaves has been appointed a non-executive director of THE RUGBY GROUP. He was chairman of Hestair.

Mr Robert Drummond *(pictured)* has been appointed managing director from August 1 of GROSVENOR VENTURE MANAGERS, adviser to Grosvenor Development Capital. He held senior posts at 3i, County NatWest Ventures, and Electra.

■ FACILITIES MANAGEMENT GROUP has appointed Sir Derek Hornby as chairman. He was chairman of Rank Xerox (UK).

■ KENT JONES DONE, Stoke-on-Trent solicitors, has appointed Mr Derrick W. Elliss as practice director responsible for finance and administration.

■ CAPITAL MARKETS ASSURANCE CORPORATION, a Citicorp subsidiary, has appointed Mr Jean-Michel Reynaud as senior transactor in the London office, with a particular focus on France. He was vice president, Security Pacific Merchant Bank.

■ PLATEAU MINING has appointed Mr W.M.A. Carroll as company secretary succeeding Mr R.J. Trew who remains finance director.

■ CATTLE'S (HOLDINGS) has appointed Mr Grant Clappison as finance director. He was group financial controller.

■ Mr Christopher J. Sandham has been appointed personnel director of INTERNATIONAL DISTILLERS AND VINTNERS, drinks sector of Grand Metropolitan. He was UK personnel director with the US company Abbott Laboratories Corporation.

■ Dr William Beaver has been appointed director of corporate affairs at NATIONAL WESTMINSTER BANK. This is a new post which the bank says has been "specially created to focus and develop NatWest's corporate communications activities." His responsibilities will include media and government relations, publications and internal communications, together with one of the largest programmes of corporate sponsorships in the UK. Dr Beaver's communications career has included J. Walter Thompson, Barnardos, and Pergamon AGB Research.

■ DOCTUS, Salford, has appointed Mr Alan Greenough as an executive director in charge of mergers and acquisitions. He was a non-executive director, and senior corporate finance partner of Alsop Wilkinson. Mr Kenneth Hind, MP, has been appointed a non-executive director.

■ Mr John Browning *(pictured)* has been elected chairman of the WATER COMPANIES ASSOCIATION, the body which represents 28 water supply companies in England and Wales. He succeeds Mr Jack Jeffery.

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BANKS, HP & LEASING

1990 High	Low	Stock	Price	+ or −	Div Net	C'vr	Y'ld Gr's	P/E
303	209	ANZ SA1	229	-3	44c	1.4	8.7	8.2
228	172	Abbey National 10p	222	+4	5.7	4.3	3.3	9.2
*274	210	Allied Irish Ord	217	-2	Q40%	3.3	4.4	9.3
£13¼	£10⅞	Algemene Fl.10	£11¼	+¼	Q28%	2.1	7.4	6.3
85	63	Anglo Irish	68	+5	[illegible]	2.7	6.5	9.3
93	68	Ansbacher (H.) 1p	93	+3	2.5	1.3	3.6	26.8
£71¼	£54¼	Bancaire Cie Fr100	£58⅝	+1½	[illegible]	–	2.2	–
£22¼	£16⅛	Banco Bilbao Viz	£19½	.....	Q49.1%	2.7	4.3	12.6
£31	£24¼	Banco de Santander	£29	.....	Q25%	2.4	3.8	10.8
286	214	Bank Ireland Ir£1	218	-1	Q14.7%	2.9	6.4	7.3
£19½	£18	Bank Leumi	£19½	.....	–	–	–	–
350	320	Bank Leumi (U.K.)	345	.....	†13.5	–	4.9	–
125	104	Bank Scotland	119	.....	4.55	3.3	5.1	7.9
100¼	83¾	Do. 9¾pc Irrd Pf.	96½	.....	9¾%	–	12.8	–
54	39	Bank of Wales	52	.....	2.8	0.8	7.2	(25.0)
428	352	Barclays £1	422xr	+3	h19.57	3.5	6.2	5.9
22	12	Benchmark 20p	14	+1	1.63	1.0	15.5	8.0
335	310	Brown Shipley £1	316	+3	12.0	2.2	5.1	10.2
*435	341	Cater Allen £1	367	.....	24.5	–	8.9	–
179	112	Chancery	117	+3	9.0	2.7	10.3	4.7
£23¼	£18¼	Commerzbk DM10	£20½	+½	Q18%	–	3.0	–
£13¼	842	Dai Ichi KBk Y50	896	-19	Q17%	♦	0.4	♦
[illegible]	£261	Deutsche Bk DM50	£280½	+4½	Q28%	–	1.7	–
£20¾	£18¼	Espirito Santo	£18¼	-¼	Q75c	5.1	2.4	–
253	183	First Nat. Fin. 10p	198	.....	13.0	2.1	8.8	6.8
121	96	FNFC 6.3pc Cv. Pf.	98	.....	6.3%	–	8.6	–
£13¼	968	Fuji Bank Y50	969	-13	Q17%	♦	0.3	♦
325	262	Gerrard & National	290	-1	19.0	–	8.7	–
154	122	Guinness Mahon 10p	122	.....	2.1	–	2.3	–
328	223	Hambros 20p	267	.....	11.5	–	5.7	–
128	93	Do. 7.5pc Cv Pf	112	.....	7½%	–	8.9	–
53½	42	HK & Shang. HK$2.50	44	.....	hQ38c	–	6.1	–
478	458	Joseph (Leo) £1	463	.....	15.85	♦	4.7	♦
150	126	King & Shaxson 20p	140	.....	10.25	–	9.8	–
422	340	Kleinwort Benson Grp.	374	.....	16.0	2.5	5.7	9.5
642	402	Kyowa Bank Y50	443	-13	Q14%	♦	0.6	♦

Hire Purchase, Leasing, etc.

BEERS, WINES & SPIRITS

BUILDING, TIMBER, ROADS

BUILDING, TIMBER, ROADS – Contd

CHEMICALS, PLASTICS

DRAPERY AND STORES

ELECTRICALS

ELECTRICALS – Contd

ENGINEERING

ENGINEERING – Contd

FOOD, GROCERIES, ETC

HOTELS AND CATERERS

INDUSTRIALS (Miscel.)

INDUSTRIALS (Miscel.) – Contd

INSURANCES

LEISURE

MOTORS, AIRCRAFT TRADES

Commercial Vehicles

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MOTORS, AIRCRAFT TRADES — Contd

Components

Garages and Distributors

NEWSPAPERS, PUBLISHERS

PAPER, PRINTING, ADVERTISING

PROPERTY

PROPERTY — Contd

SHOES AND LEATHER

SOUTH AFRICANS

TEXTILES

TOBACCOS

TRANSPORT

INVESTMENT TRUST

INVESTMENT TRUST — Contd

INVESTMENT TRUST — Contd

Net asset values supplied by County NatWest Wood Mackenzie

FINANCE, LAND, ETC

WATER

OIL AND GAS

OIL AND GAS — Contd

OVERSEAS TRADERS

PLANTATIONS

Rubbers, Palm Oil

Teas

MINES

Central Rand

Eastern Rand

Far West Rand

O.F.S.

Diamond and Platinum

Central African

Finance

Australians

Tins

Miscellaneous

MINES — Contd

THIRD MARKET

NOTES

Stock Exchange dealing classifications are indicated to the right of security names: α Alpha, β Beta, γ Gamma.
Unless otherwise indicated, prices and net dividends are in pence and denominations are 25p. Estimated price/earnings ratios and covers are based on latest annual reports and accounts and, where possible, are updated on half-yearly figures. P/Es are calculated on "net" distribution basis, earnings per share being computed on profit after taxation and unrelieved ACT where applicable; bracketed figures indicate 10 per cent or more difference if calculated on "nil" distribution. Covers are based on "maximum" distribution; this compares gross dividend costs to profit after taxation, excluding exceptional profits/losses but including estimated extent of offsettable ACT. Yields are based on middle prices, are gross, adjusted to ACT of 25 per cent and allow for value of declared distribution and rights.
Estimated Net Asset Values (NAVs) are shown for Investment Trusts, in pence per share, along with the percentage discounts (Dis) or premiums (Pm -) to the current pre-closing share price. The NAV basis assumes prior charges at par value, convertibles converted and warrants exercised if dilution occurs.

- ● "Tap Stock"
- • Highs and lows marked thus have been adjusted to allow for rights issues for cash
- † Interim since increased or resumed
- ‡ Interim since reduced, passed or deferred
- ‡‡ Tax-free to non-residents on application
- ◆ Figures or report awaited
- ♥ Not officially UK listed; dealings permitted under rule 535(4)(a)
- ✣ USM; not listed on Stock Exchange and company not subjected to same degree of regulation as listed securities.
- ‡‡ Not officially listed.
- # Price at time of suspension
- ¶ Indicated dividend after pending scrip and/or rights issue; cover relates to previous dividend or forecast.
- ◆ Merger bid or reorganisation in progress
- ‡ Not comparable
- ◆ Same interim; reduced final and/or reduced earnings indicated
- § Forecast dividend; cover on earnings updated by latest interim statement.
- ‡ Cover allows for conversion of shares not now ranking for dividends or ranking only for restricted dividend.
- ✱ Cover does not allow for shares which may also rank for dividend at a future date. No P/E usually provided.
- ‖ No par value

B.Fr. Belgian Francs. Fr. French Francs §§ Yield based on assumption Treasury Bill Rate stays unchanged until maturity of stock. a Annualised dividend. b Figures based on prospectus or other offer estimate. c Cents. d Dividend rate paid or payable on part of capital, cover based on dividend on full capital. e Redemption yield. f Flat yield. g Assumed dividend and yield. h Assumed dividend and yield after scrip issue. j Payment from capital sources. k Kenya. m Interim higher than previous total. n Rights issue pending q Earnings based on preliminary figures. s Dividend and yield exclude a special payment. t Indicated dividend: cover relates to previous dividend, P/E ratio based on latest annual earnings. u Forecast, or estimated annualised dividend rate, cover based on previous year's earnings. v Subject to local tax. x Dividend cover in excess of 100 times. y Dividend and yield based on merger terms. z Dividend and yield include a special payment: Cover does not apply to special payment. A Net dividend and yield. B Preference dividend passed or deferred. C Canadian. E Minimum tender price. F Dividend and yield based on prospectus or other official estimates for 1990-91. G Assumed dividend and yield after pending scrip and/or rights issue. H Dividend and yield based on prospectus or other official estimates for 1989. K Dividend and yield based on prospectus or other official estimates for 1990. L Estimated annualised dividend, cover and P/E based on latest annual earnings. M Dividend and yield based on prospectus or other official estimates for 1988. N Dividend and yield based on prospectus or other official estimates for 1989-90. P Figures based on prospectus or other official estimates for 1987. Q Gross. R Forecast annualised dividend, cover and p/e based on prospectus or other official estimates. T Figures assumed. W Pro forma figures. Z Dividend total to date.
Abbreviations: xd ex dividend; xc ex scrip issue; xr ex rights; xa ex all; xd ex capital distribution.

REGIONAL & IRISH STOCKS

The following is a selection of Regional and Irish stocks, the latter being quoted in Irish currency.

Craig & Rose £1... y	830	.....
Finlay Pkg. 5p.... y	51	.....
Holt (Jos) 25p.... y	1310	.....
Carrol (P.J.)...... y	124	.....
Hall (R. & H.)......	165	.....
Helton Hldgs....... y	72	.....
IRG............	205	+10
United Drug........	155	+3

IRISH

Cap 8½% Ln 1991...	£98¼	.....
9pc Cap Ln 1996 .	£96¼	+¼
Fin. 13% 97/02...	£112	.....
Arnotts............	285	.....

TRADITIONAL OPTIONS

3-month call rates

Industrials

	p
Allied-Lyons..........	40
Amstrad.........	7
Astec (BSR)........	6
BAT............	62
BOC Grp...........	48
BTR..............	37
Barclays.........	34
Blue Circle.........	21
Boots..............	24
Bowaters..........	40
Brit Aerospace.......	47
British Steel.........	13
Brit. Telecom.........	25
Cadburys...........	30
Charter Cons.........	42
Comm Union.........	41
Courtaulds.........	29
Eurotunnel	55
FKI	7
FNFC............	20
Gen Accident.........	46½
GEC............	18
Glaxo..........	68
Grand Met.........	53
Guardian..........	28
GKN.	37
Hanson............	20
Hawker Sidd.........	53
ICI............	99
Ladbroke.........	27
Legal & Gen.........	34
Lex Service.........	28
Lloyds Bank.........	25
Lucas Inds.........	33
Marks & Spencer........	19
Midland Bk.........	24
Nat West Bk.	30
P & O Dfd.........	52
Polly Peck.........	39
Racal Elect.........	19
RHM.........	30
Rank Org Ord.........	70
Reed Intnl.........	38
STC.........	21
Sears.........	9
SmKl. Beecham A.........	48
TI.........	39
TSB.........	11
Tesco.........	19
Thorn EMI.........	62
Trust Houses.........	24
T&N.........	18
Unilever.........	58
Vickers.........	19
Wellcome.........	57

Property

Brit Land.........	32
Control Secs.........	4
Land Securities.........	45
MEPC.........	45
Mountleigh.........	13

Oils

Aviva Petlm.........	5
Brit Petroleum.........	28
Burmah Oil.........	55
Conroy Petlm.........	10
Gaelic Res.........	3½
Premier.........	9
Shell.........	40
Tuskar Res.........	5½
Ultramar.........	31

Mines

Lonrho.........	21
RTZ.........	58

This service is available to every Company dealt in on Stock Exchanges throughout the United Kingdom for a fee of £1050 per annum for each security.

FT MANAGED FUNDS SERVICE

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AUTHORISED UNIT TRUSTS

Abbey Unit Tst Mngrs (1000)H
80 Holdenhurst Rd, Bournemouth 0345 717373

	Init Chrge	Canc. Price	Bid Price	Offer Price	+ or -	Yield Gr's
High Income						
American Income	6	49.67	50.18	53.38	-0.60	5.19
Gilts & Fixed Int	6	105.5	105.5	112.0	-0.5	9.82
High Inc Equity	6	136.7	136.7	146.2	+0.5	4.34
Worldwide Bond	6	186.0	186.0	197.4	.....	6.53
Capital Growth						
American Growth	6	183.1	184.7	196.4	-2.8	1.19
Asian Pacific	6	143.2	146.3	155.6	+0.3	0.00
Assets & Earnings	6	160.9	164.8	175.3	+0.5	2.77
Capital Reserve Acc	0	93.61	93.61	93.77	-0.14	7.61
Capital Reserve Inc	0	78.68	78.68	78.82	-0.12	7.61
Comdty & Energy	6	88.66	91.12	96.93	-1.72	0.00
Dividend & Growth	6	47.83	48.88	52.00	+0.15	4.33
1992 Enterprise	6	63.74	65.08	69.23	+0.05	1.94
Euro Capital Acc	6	103.3	104.7	111.3	+0.6	0.89
Euro Capital Inc	6	99.14	100.5	106.9	+0.7	0.89
General	6	181.3	184.9	196.7	+1.2	2.54
International	6	61.37	62.18	66.14	-0.30	0.76
Japan	6	103.0	103.8	110.4	-0.7	0.00
Mastertrust	6	90.29	90.29	96.56	-0.26	1.53
UK Growth Acc	6	178.7	186.5	198.3	+0.6	2.50
UK Growth Dist	6	116.8	121.8	129.5	+0.4	2.50
US Emerging Cos	6	58.64	60.01	63.85	-1.36	0.00
Income & Growth	6	307.7	314.9	334.9	+1.6	3.06
Ethical	6	48.43	49.66	52.82	+0.38	1.89

Abtrust Management Ltd (1200)H
10 Queens Terrace, Aberdeen AB9 1QJ 0800 833580

	Init Chrge	Canc. Price	Bid Price	Offer Price	+ or -	Yield Gr's
Amer Inc & Growth	5¼	31.38	31.47	33.60	-0.28	2.35
European	5¼	90.64	90.91	97.04	-0.62	0.00
European Income	5¼	87.22	87.27	93.16	-0.79	1.40
Exempt	1	756.6	756.6	782.5	-5.0	3.22
Exempt Income	3¼	177.6	177.6	187.9	-0.3	4.60

GUIDE TO UNIT TRUST PRICING

INITIAL CHARGES
These represent the marketing, administrative and other costs which have to be paid by new purchasers. These charges are included in the price when the customer buys units.

OFFER PRICE
The price at which units may be bought.

BID PRICE
The price at which units may be sold.

CANCELLATION PRICE
The maximum spread between the offer and bid prices is determined by a formula laid down by the government. In practice, unit trust managers quote a much narrower spread. As a result, the bid price is often set well above the minimum permissible price which is called the cancellation price in the table. However the bid price might be moved to the cancellation price in circumstances in which there is a large excess of sellers of units over buyers.

TIME
The time shown alongside the fund manager's name is the time at which the unit trusts' daily dealing prices are normally set unless another time is indicated by the symbol alongside the individual unit trust name. The symbols are as follows: ♥ - 0001 to 1100 hours; ♣ - 1101 to 1400 hours; ♠ - 1401 to 1700 hours; ♦ - 1701 to midnight.

HISTORIC PRICING
The letter H denotes that the managers will deal on a historic price basis. This means that investors can obtain a firm quotation at the time of dealing. The prices shown are the latest available before publication and may not be the current dealing levels because of an intervening portfolio revaluation or a switch to a forward pricing basis.

FORWARD PRICING
The letter F denotes that prices are set on a forward basis so that investors can be given no definite price in advance of the purchase or sale being carried out. The prices appearing in the newspaper show the prices at which deals were carried out yesterday.

SCHEME PARTICULARS AND REPORTS
The most recent report and scheme particulars can be obtained free of charge from fund managers. Other explanatory notes contained in last column of the FT Unit Trust Information pages.

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INSURANCES

AA Friendly Society

Abbey Life Assurance Co Ltd

OTHER UK UNIT TRUSTS

Continued on next page

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Pearl Assurance (Unit Funds) Ltd

Prudential Assurance Co

Prudential Holborn Life Ltd

Scottish Equitable Life Assce. Soc.

Skandia Life Assurance Co Ltd – Contd.

Sun Life Unit Assurance Ltd

CMI Insurance Co Ltd

The Analysis Group PLC

Grofund Invest Managers (Guernsey) Ltd

Guinness Flight Fd Mngrs (Guernsey) Ltd

Bryan Walls & Partners Ltd

Pegasus Assurance Ltd

Pioneer Mutual Insurance Co Ltd

Premium Life Assurance Co Ltd

Professional Life Assurance Co Ltd

Prolific Life & Pensions Ltd

Property Equity & Life Ass. Co

Providence Capital Life Assc. Co Ltd

Provident Life Assoc Ltd

Provident Mutual Life Assc. Assn.

Prudential Holborn Pensions Ltd

Prudential Pensions Limited

Refuge Assurance

Regency Life Assurance Co Ltd

Reliance Mutual

Royal Heritage Life Assurance Ltd

Royal Life Insurance Ltd

Royal Liver Assurance

Save & Prosper Group

Scottish Amicable

Scottish Life Investments

Scottish Mutual Assurance Society

Scottish Mutual Investments

Scottish Provident Institution

Scottish Widows' Group

Shield Assurance Ltd

Skandia Life Assurance Co Ltd

Standard Life Assurance Company

Sun Alliance Group

Sun Life of Canada (UK) Ltd

Swiss Life (UK) PLC

TSB Life Ltd

Target Life Assurance Co Ltd

Teachers' Assurance Company Ltd

Tunbridge Wells Equitable

UK Life Assurance Co Ltd

Wesleyan Assurance Society

Windsor Life Assur Co Ltd

OFFSHORE INSURANCES

AEtna Intl Assurance (Bermuda) Ltd

Albany International Assurance Ltd

MANAGEMENT SERVICES

Eagle Star Intl Financial Services

Equity & Law Intl Life Assce Co Ltd

Eurolife Assurance Group

Fincom International Ltd

Hansard International Ltd

Isle of Man Assurance Ltd

NEL Britannia International Ltd

NM Life Assurance Int Ltd

Premium Life International Ltd

Providence Capital International Ltd

Royal Life Intl. Ltd

Royal Skandia Life Assurance Ltd

Sun Alliance International Life

Zurich Life Assurance Co Ltd

Target International Group

OFFSHORE AND OVERSEAS

CANADA

GUERNSEY

GUERNSEY (REGULATED)

Hambros Fd Mgrs (CI) Ltd

Leopold Joseph Fund Mngmt (Guernsey) Ltd

Kleinwort Benson Intl Fd Mngrs Ltd

Lazard Fund Mngrs (Channel Islands) Ltd

Lloyds Intl Money Market Fund Ltd

M. & G. Island Fund

Prolific International Mngmt Ltd

Rothschild Asset Management (CI) Ltd

Royal Bank of Canada Funds

FT MANAGED FUNDS SERVICE

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IRELAND (SIB RECOGNISED)

ISLE OF MAN (SIB RECOGNISED)

ISLE OF MAN (REGULATED**)

JERSEY (SIB RECOGNISED)

JERSEY (REGULATED**)

LUXEMBOURG (SIB RECOGNISED)

LUXEMBOURG (REGULATED**)

SWITZERLAND (SIB RECOGNISED)

OTHER OFFSHORE FUNDS

CURRENCIES, MONEY AND CAPITAL MARKETS

FOREIGN EXCHANGES

Muted reaction to Greenspan

THE DOLLAR was slightly weaker at the close of trading in London last night as the market continued to analyse the implications of testimony before the Senate banking committee by Mr Alan Greenspan, chairman of the Federal Reserve Board.

In his half-yearly Humphrey-Hawkins report, Mr Greenspan confirmed that the Fed has eased its monetary policy - dealers believe that the target rate for Federal funds was cut by ¼ point to 8 per cent last week - but said this was designed to increase credit availability and not simply to lower interest rates. "Credit tightening is something we would not like to see happening," Mr Greenspan told the committee.

Shortly before the Fed chairman spoke, figures were released on June US consumer prices. These rose by a larger than expected 0.5 per cent, taking the year-on-year inflation rate up to 4.7 from 4.4 per cent. Excluding volatile food and energy prices, core inflation rose 0.4 per cent. Responding to the figures Mr Greenspan said that while they were "higher than one would like to see, it doesn't, in my judgement, fundamentally affect the underlying trends." The view in the market was that the rise in prices had dampened any lingering hopes that the Fed would ease its monetary stance again in the near future.

At the London close the dollar had declined to DM1.6435 from DM1.6460; to Y147.25 from Y148.35; and to FFr5.5150 from FFr5.5200, but had climbed to SFr1.4085 from SFr1.4060. The dollar's index fell to 65.3 from 65.7.

Sterling weakened slightly in New York after the close of trading in London. The pound fell below DM2.9900 against the D-Mark following a news agency report - quoting a Downing Street official - that the UK still regards financial restrictions among some members of the European Community as a problem for sterling's full membership of the European Monetary System. This was one of the conditions set by the UK Government at last year's Madrid summit, but dealers had assumed that with the removal of most restrictions a fall in UK inflation was now the only real obstacle to the pound joining the EMS exchange rate mechanism.

In early European trading sterling rose above DM3.00, touching a peak of DM3.0050, but it failed to maintain that level. It fell back to close in London at DM2.9925, still a rise of one pfennig on the day. The pound also gained 85 points to $1.8205. It climbed to FFr10.0400 from FFr10.0025 and to SFr2.5650 from SFr2.5475, but fell to Y268.00 from Y268.75. sterling's index rose 0.3 to 94.3.

The French franc was the weakest member of the EMS yesterday, losing ground to the Spanish peseta and the D-Mark at the Paris fixing. The peseta was around its ceiling against the franc, but there was no obvious central bank intervention.

£ IN NEW YORK

July 18	Close	Previous Close
£ Spot	1.8155-1.8165	1.8160-1.8170
1 month	1.04-1.02pm	1.05-1.04pm
3 months	3.05-3.02pm	2.95-2.92pm
12 months	9.80-9.70pm	9.67-9.57pm

Forward premiums and discounts apply to the US dollar

STERLING INDEX

	July 18	Previous
8.30 am	94.4	94.2
9.00 am	94.4	94.1
10.00 am	94.4	94.0
11.00 am	94.4	94.0
Noon	94.4	94.0
1.00 pm	94.4	94.0
2.00 pm	94.2	94.0
3.00 pm	94.2	94.0
4.00 pm	94.3	94.0

CURRENCY RATES

July 18	Bank rate %	Special* Drawing Rights	European † Currency Unit
Sterling	-	0.742051	0.691062
U.S Dollar	7	1.34237	1.25750
Canadian $	13.32	1.55255	1.45222
Austrian Sch	6½	15.5963	14.5651
Belgian Franc	10¼	45.6539	42.6751
Danish Krone	10½	8.43344	7.87211
Deutsche Mark	6.00	2.21652	2.07075
Neth.Guilder	7.00	2.49748	2.33457
French Franc	10¼	7.42532	6.94912
Italian Lira	13½	1622.52	1517.01
Japanese Yen	5¼	198.671	185.671
Norway Krone	8	8.47536	7.94114
Spanish Peseta	-	135.746	126.856
Swedish Krona	11	8.02966	7.49807
Swiss Franc	6.00	1.90147	1.77239
Greek Drach.	20½	N/A	202.713
Irish Punt	-	N/A	0.772222

† European Commission Calculations.
* All SDR rates are for July 17

CURRENCY MOVEMENTS

July 18	Bank of England Index	Morgan* Guaranty Changes %
Sterling	94.3	-18.4
U.S Dollar	65.3	-12.9
Canadian Dollar	104.5	+1.7
Austrian Schilling	109.3	+11.4
Belgian Franc	110.6	-2.8
Danish Krone	110.1	+4.3
Deutsche Mark	117.8	+23.7
Swiss Franc	112.2	+20.8
Guilder	113.8	+15.3
French Franc	104.2	-12.4
Lira	101.0	-18.4
Yen	123.8	+52.9

Morgan Guaranty changes: average 1980-1982=100. Bank of England Index (Base Average 1985=100) *Rates are for July 17.

OTHER CURRENCIES

Jul 18	£	$
Argentina	9495.20 - 9536.80	5220.00 - 5240.00
Australia	2.2985 - 2.3005	1.2625 - 1.2635
Brazil	120.055 - 121.210	66.000 - 66.600
Finland	6.9680 - 6.9810	3.8375 - 3.8405
Greece	290.55 - 295.20	159.50 - 162.05
Hong Kong	14.1205 - 14.1340	7.7655 - 7.7675
Iran	124.00*	68.20*
Korea(Sth)	1291.45 - 1312.25	713.10 - 718.70
Kuwait	0.5285 - 0.5300	0.2895 - 0.2900
Luxembourg	61.60 - 61.70	33.80 - 33.90
Malaysia	4.9160 - 4.9275	2.7025 - 2.7045
Mexico	5222.35 - 5243.25	2871.00 - 2881.00
N.Zealand	3.0685 - 3.0735	1.6860 - 1.6880
Saudi Ar	6.8430 - 6.8505	3.7495 - 3.7505
Singapore	3.2995 - 3.3070	1.8145 - 1.8165
S.Af (Cm)	4.7640 - 4.7760	2.6210 - 2.6225
S.Af (Fn)	7.1695 - 7.3130	3.9370 - 4.0160
Taiwan	49.30 - 49.40	27.10 - 27.15
U.A.E.	6.7005 - 6.7095	3.6715 - 3.6735

* Selling rate

EURO-CURRENCY INTEREST RATES

Jul 18	Short term	7 Days notice	One Month	Three Months	Six Months	One Year
Sterling	15 - 14⅞	15 - 14⅞	15 - 14⅞	14¹⁵⁄₁₆ - 14⅞	14⅞ - 14¾	14½ - 14⅜
US Dollar	8¼ - 7⅞	8⅛ - 8	8⅛ - 8	8³⁄₁₆ - 8¹⁄₁₆	8³⁄₁₆ - 8¹⁄₁₆	8⅜ - 8¼
Can. Dollar	14 - 13¾	13⅞ - 13⅝	13⅝ - 13⅜	13½ - 13¼	13¼ - 13	13⅛ - 12⅞
D. Guilder	7⅞ - 7¾	8 - 7⅞	8 - 7⅞	8⅛ - 8¹⁄₁₆	8¼ - 8⅛	8⅜ - 8¼
Sw. Franc	8⅝ - 8½	8⅝ - 8½	8¹¹⁄₁₆ - 8⁹⁄₁₆	8⅞ - 8¾	8¹⁵⁄₁₆ - 8¹³⁄₁₆	8⅝ - 8½
Deutschmark	8⅛ - 8	8⅛ - 8	8¼ - 8⅛	8⅜ - 8¼	8⅝ - 8½	8¹⁵⁄₁₆ - 8⅞
Fr. Franc	10⅛ - 10	10⅛ - 10	9⅞ - 9¾	10⅛ - 10	10¼ - 10⅛	10⅜ - 10¼
Italian Lira	11 - 10	11⅜ - 10⅞	11⅛ - 10⅞	11⅛ - 11	11¾ - 11½	11¾ - 11½
Belgian Franc	9⅝ - 9½	9⅝ - 9½	9⅝ - 9½	9⅝ - 9½	9⅝ - 9½	9⅝ - 9½
Yen	7½ - 7⅜	7⅝ - 7½	7⅝ - 7½	7⅝ - 7½	7¹³⁄₁₆ - 7¹¹⁄₁₆	7¹³⁄₁₆ - 7¹¹⁄₁₆
D.Krone	10⅝ - 10⅛	10⅝ - 10½	10⅜ - 10⅛	10⅛ - 10⅛	10⅛ - 10	10⅛ - 10
Asian $Sing	8¼ - 8⅛	8¼ - 8⅛	8⅜ - 8¼	8⅜ - 8¼	8⅜ - 8¼	8⅜ - 8¼

Long term Eurodollars: two years 8⅝-8½ per cent; three years 8¹³⁄₁₆-8¹¹⁄₁₆ per cent; four years 9⅛-8¹⁵⁄₁₆ per cent; five years 9⅛-9 per cent nominal. Short term rates are call for US Dollars and Japanese Yen; others, two days' notice.

POUND SPOT - FORWARD AGAINST THE POUND

Jul 18	Day's spread	Close	One month	% p.a.	Three months	% p.a.
US	1.8175 - 1.8300	1.8200 - 1.8210	1.06-1.04cpm	6.92	2.94-2.91pm	6.43
Canada	2.0940 - 2.1060	2.0995 - 2.1005	0.25-0.16cpm	1.17	0.77-0.53pm	1.24
Netherlands	3.36¼ - 3.38¼	3.36¾ - 3.37¾	2-1¾cpm	6.89	5⅝-5⅜pm	6.52
Belgium	61.45 - 61.90	61.60 - 61.70	30-27cpm	5.55	89-84pm	5.61
Denmark	11.35¼ - 11.42¼	11.37¼ - 11.38¼	4⅝-4¼orepm	4.68	13⅝-12⅞pm	4.66
Ireland	1.1125 - 1.1225	1.1170 - 1.1180	0.45-0.40ppm	4.56	1.37-1.27pm	4.72
W. Germany	2.98¾ - 3.00½	2.99 - 2.99½	1⅝-1½pfpm	6.77	5-4⅞pm	6.60
Portugal	262.40 - 263.95	262.65 - 263.65	121-93cpm	4.88	214-157pm	2.82
Spain	182.95 - 183.90	183.00 - 183.30	3-4cdis	-0.23	13-1pm	0.15
Italy	2186¾ - 2198¾	2191 - 2192	7-6lirepm	3.56	20-18pm	3.47
Norway	11.44½ - 11.50¼	11.44½ - 11.45½	4⅛-3⅝orepm	4.06	11⅛-10⅛pm	3.86
France	10.02½ - 10.06¼	10.03½ - 10.04½	4⅜-4⅛orepm	5.08	11⅜-10⅛pm	4.41
Sweden	10.80½ - 10.87	10.81¼ - 10.82¼	2¾-2½orepm	2.91	7⅛-6⅝pm	2.54
Japan	267½ - 268¾	267½ - 268½	1¾-1½ypm	7.28	4⅞-4⅝pm	7.09
Austria	21.02 - 21.11	21.03 - 21.06	12-10⅞gropm	6.52	34¼-32¼pm	6.33
Switzerland	2.55¾ - 2.57	2.56 - 2.57	1⅜-1¼cpm	6.73	3¾-3⅝pm	5.75
ECU	1.4370 - 1.4440	1.4370 - 1.4380	0.60-0.57cpm	4.88	1.65-1.60pm	4.52

Commercial rates taken towards the end of London trading. Six-month forward dollar 5.70-5.65cpm. 12 Month 9.80-9.70cpm.

DOLLAR SPOT - FORWARD AGAINST THE DOLLAR

Jul 18	Day's spread	Close	One month	% p.a.	Three months	% p.a.
UK†	1.8175 - 1.8300	1.8200 - 1.8210	1.06-1.04cpm	6.92	2.94-2.91pm	6.43
Ireland†	1.6300 - 1.6370	1.6310 - 1.6320	0.31-0.26cpm	2.10	0.83-0.73pm	1.91
Canada	1.1510 - 1.1540	1.1525 - 1.1535	0.54-0.57cdis	-5.78	1.54-1.59dis	-5.41
Netherlands	1.8445 - 1.8570	1.8520 - 1.8530	0.03pm-par	0.10	0.01-0.06dis	-0.08
Belgium	33.75 - 33.95	33.80 - 33.90	par-6.00cdis	-1.06	4.00-14.00dis	-1.06
Denmark	6.24½ - 6.25¾	6.24¾ - 6.25¼	1.05-1.25oredis	-2.21	2.85-3.45dis	-2.07
W. Germany	1.6360 - 1.6480	1.6430 - 1.6440	0.01-0.03pfdis	-0.15	0.05-0.09dis	-0.16

Commercial rates taken towards the end of London trading. † UK, Ireland and ECU are quoted in US currency. Forward premiums and discounts apply to the US dollar and not to the individual currency.

EMS EUROPEAN CURRENCY UNIT RATES

	Ecu central rates	Currency amounts against Ecu July 18	% change from central rate	% change adjusted for divergence	Divergence limit %
Belgian Franc	42.1679	42.6931	+1.25	+0.69	±1.5388
Danish Krone	7.79845	7.87811	+1.02	+0.46	±1.6453
German D-Mark	2.05586	2.07075	+1.29	+0.73	±1.1762
French Franc	6.89509	6.94912	+1.35	+0.79	±1.3618
Dutch Guilder	2.31643	2.33457	+1.35	+0.79	±1.5272
Irish Punt	0.768108	0.772222	+1.19	+0.64	±1.6689
Italian Lira	1529.70	1517.01	-0.83	-0.83	±1.5162
Spanish Peseta	132.889	126.856	-4.54	-4.53	±4.2705

Changes are for Ecu, therefore positive change denotes a weak currency. Adjustment calculated by Financial Times.

EXCHANGE CROSS RATES

July 18	£	$	DM	Yen	F Fr.	S Fr.	H Fl.	Lira	C $	B Fr.
F Fr.	0.996	1.813	2.980	266.9	10.	2.555	3.359	2182	2.092	61.40
S Fr.	0.390	0.710	1.166	104.5	3.914	1	1.315	854.2	0.819	24.04
H Fl.	0.297	0.540	0.887	79.48	2.977	0.761	1	649.8	0.623	18.28
Lira	0.456	0.831	1.366	122.3	4.582	1.171	1.539	1000.	0.958	28.14
C $	0.476	0.867	1.425	127.6	4.781	1.221	1.606	1043	1	29.36
B Fr.	1.622	2.952	4.853	434.7	16.29	4.161	5.470	3554	3.406	100.

Yen per 1,000: French Fr. per 10: Lira per 1,000: Belgian Fr. per 100.

FINANCIAL FUTURES AND OPTIONS

POUND-$ (FOREIGN EXCHANGE)

Spot	1-mth.	3-mth.	6-mth.	12-mth.
1.8205	1.8101	1.7902	1.7638	1.7226

IMM-STERLING $s per £

	Close	High	Low	Prev.
Sep	1.7950	1.8062	1.7868	1.7966
Dec	1.7672	1.7790	1.7580	1.7694
Mar	1.7436	1.7540	1.7400	1.7458

THREE-MONTH PIBOR FUTURES (MATIF)

	Open	Close	Change	High	Low	Yield	Open int.
September	90.10	90.16	-0.09	90.19	90.10	9.54	12,405
December	90.10	90.15	-0.09	90.17	90.10	9.94	4,304
March	90.10	90.16	-0.09	90.16	90.10	9.84	1,825
June	-	-	-	-	-	9.93	116

Estimated volume 19,788 Total Open Interest 18,650

CAC-40 FUTURES (MATIF) Stock index

	Open	Close	Change	High	Low	Open int.
July	2037.0	2043.5	-15.5	2053.0	2037.0	5,368
August	2054.0	2055.0	-15.0	2063.0	2050.0	916
September	2061.0	2061.0	-17.0	2061.0	2061.0	10
December	-	-	-	-	-	-

Estimated volume 6,891 Total Open Interest 6,294

BASE LENDING RATES

	%		%		%
ABN Bank	15	Coutts & Co	15	NatWestminster	15
Adam & Company	15	Cyprus Popular Bk	15	Northern Bank Ltd	15
Allied Trust Bank	15	Dunbar Bank PLC	15	Nykredit Mortgage Bank	15½
Allied Irish Bank	15	Duncan Lawrie	15	Provincial Bank PLC	16
● Henry Ansbacher	15	Equatorial Bank plc	15	Roxburghe Bank Ltd	15½
Associates Cap Corp	15½	Exeter Trust Ltd	15½	Royal Bk of Scotland	15
● B & C Merchant Bank	15	Financial & Gen. Bank	15	Royal Trust Bank	15
Bank of Baroda	15	First National Bank Plc	16½	● Smith & Williamson Secs.	15
Banco Bilbao Vizcaya	15	● Robert Fleming & Co.	15	Standard Chartered	15
Bank Credit & Comm	15	Robert Fraser & Ptnrs.	15½	TSB	15
Bank of Cyprus	15	Girobank	15	Unibank plc	15
Bank of Ireland	15	● Guinness Mahon	15	● United Bk of Kuwait	15
Bank of India	15	HFC Bank plc	15	United Mizrahi Bank	15
Bank of Scotland	15	● Hambros Bank	15	Unity Trust Bank Plc	15
Banque Belge Ltd	15	Hampshire Trust Plc	15½	Western Trust	15
Barclays Bank	15	Heritable & Gen Inv Bank	15	Westpac Bank Corp.	15
Benchmark Bank PLC	15	● Hill Samuel	§15	Whiteaway Laidlaw	15
Brit Bk of Mid East	15	C. Hoare & Co.	15	Yorkshire Bank	15
● Brown Shipley	15	Hongkong & Shangh	15		
CL Bank Nederland	15	● Leopold Joseph & Sons	15		
● Charterhouse Bank	15	Lloyds Bank	15		
Citibank NA	15	Meghraj Bank Ltd	15		
City Merchants Bank	15	McDonnell Douglas Bank	15		
Clydesdale Bank	15	Midland Bank	15		
Comm. Bk. of London Plc	15	Mount Banking	15		
Co-operative Bank	*15	Nat Bk. of Kuwait	15		

● Members of British Merchant Banking & Securities Houses Association. * Deposit now 5.9% Savewise 8.5%. Top Tier-£50,000+ instant access 13.7% ‡ Mortgage base rate. § Demand deposit 9%. Mortgage 15.2% - 15.95%

MONEY MARKETS

Late rise in rates

RATES IN London firmed nervously after hours yesterday, touching 15 per cent on a news agency report about possible UK reservations on sterling's full membership of the EMS. There was little change during normal trading hours, after Mr John Major, the UK Chancellor, had warned Conservative MPs on Tuesday that inflation may not yet have peaked. Three-month sterling interbank was quoted at 14¹⁵⁄₁₆-14⅞ per cent, against 14¹³⁄₁₆-14²³⁄₃₂, while 12-month money firmed slightly to 14⁹⁄₁₆-14⁷⁄₁₆ per cent from 14½-14⅜.

> UK clearing bank base lending rate
> 15 per cent
> from October 5

Short sterling futures fell on Liffe. December delivery opened firmer at 86.35, but closed at 86.27, compared with 86.32 previously.

A large shortage of day-to-day credit on the money market prompted the offer of early assistance from the Bank of England. The shortage was initially forecast at £950m, but this was revised to £1,100m in the afternoon. Total help of £968m was provided.

In early help the authorities bought £509m bills outright, by way of £34m bank bills in band 1 at 14⅞ per cent; £10m local authority bills in band 2 at 14¾ per cent; and £465m bank bills in band 2 at 14¾ per cent. Before lunch another £158m bank bills were purchased in band 2 at 14¾ per cent.

In the afternoon the Bank of England bought £301m bills, via £90m Treasury bills in band 1 at 14⅞ per cent and £211m bank bills in band 1 at 14⅞ per cent.

Bills maturing in official hands, repayment of late assistance and a take-up of Treasury bills drained £775m, with a rise in the note circulation absorbing £140m, and bank balances below target £95m. These outweighed Exchequer transactions adding £50m to liquidity.

In Frankfurt call money eased to 8.025 from 8.075 per cent after the Bundesbank added a net DM4.8bn at this week's securities repurchase agreement tender. The central bank accepted bids totalling DM24bn at the tender, against two expiring facilities amounting to DM19.2bn. It provided DM14.5bn of 27-day funds at 7.90-8.15 per cent and DM9.5bn of 63-day money at 7.95-8.20 per cent.

Call money remained above the 8 per cent Lombard emergency financing rate, but borrowing by the banks has fallen this week and conditions now look more comfortable. Banks took up DM1.9bn of Lombard funds on Tuesday, against DM4.6bn on Monday.

FT LONDON INTERBANK FIXING

(11.00 a.m. July 18) 3 months US dollars		6 months US Dollars	
bid 8⅛	offer 8	bid 8¼	offer 8⅛

The fixing rates are the arithmetic means rounded to the nearest one-sixteenth, of the bid and offered rates for $10m quoted to the market by five reference banks at 11.00 a.m. each working day. The banks are National Westminster Bank, Bank of Tokyo, Deutsche Bank, Banque National de Paris and Morgan Guaranty Trust.

MONEY RATES

NEW YORK (4pm)

Prime rate	10
Broker loan rate	9¾
Fed.funds	8
Fed.funds at intervention	-

Treasury Bills and Bonds

One month	7.05	Three year	8.21
Two month	7.71	Four year	8.30
Three month	7.80	Five year	8.33
Six month	7.87	Seven year	8.47
One year	7.87	10-year	8.51
Two year	8.12	30-year	8.55

July 18	Overnight	One Month	Two Months	Three Months	Six Months	Lombard Intervention
Frankfurt	7.95-8.10	8.00-8.15	8.05-8.20	8.15-8.30	8.30-8.50	8.00
Paris	9⅝-9⅞	9¹³⁄₁₆-9¹¹⁄₁₆	9⅝-9⅞	9⅞-10	10-10⅛	9.50
Zurich	8⅜-8⅝	8¾-9	-	8¾-9	-	-
Amsterdam	7.75-7.87	7.95-8.02	-	8.18-8.26	-	-
Tokyo	7⁹⁄₁₆-7¹¹⁄₁₆	7¹¹⁄₁₆-7¹³⁄₁₆	-	7¹¹⁄₁₆-7¹³⁄₁₆	-	-
Milan	11-11½	11⅛-11¼	-	11⅛-11¼	-	-
Brussels	10.00	9⅛-9⅝	-	9¼-9⅜	-	-
Dublin	10⅞-10⅛	10⅞-10½	10⅛-10¼	10⅛-10⅜	10⅛-10⅜	-

LONDON MONEY RATES

Jul 18	Overnight	7 days notice	One Month	Three Months	Six Months	One Year
Interbank Offer	15	15	15	15	14¹³⁄₁₆	14⁹⁄₁₆
Interbank Bid	13	14¾	14⅞	14⅞	14¹¹⁄₁₆	14⁷⁄₁₆
Sterling CDs	-	-	14¹⁵⁄₁₆	14¹⁵⁄₁₆	14¹³⁄₁₆	14⅝
Local Authority Deps.	14⅞	14⅞	14⅞	14⅞	14¹¹⁄₁₆	14½
Local Authority Bonds	-	-	-	-	-	-
Discount Mkt Deps.	15	14⅞	14¾	14½	-	-
Company Deposits	-	-	14²⁹⁄₃₂	14⅞	14²³⁄₃₂	14⅝
Finance House Deposits	-	-	14²⁹⁄₃₂	14¹³⁄₁₆	14²³⁄₃₂	14½
Treasury Bills (Buy)	-	-	14²⁹⁄₃₂	14⅝	-	-
Bank Bills (Buy)	-	-	14⅝	14⅝	13²³⁄₃₂	-
Fine Trade Bills (Buy)	-	-	15¼	14¹³⁄₁₆	14¹³⁄₁₆	-
Dollar CDs	-	-	8.10	8.10	8.15	8.25
SDR Linked Dep. Offer	-	-	8⅞	9	9⅛	9⅜
SDR Linked Dep. Bid	-	-	8¾	8⅞	9	9¼
ECU Linked Dep. Offer	-	-	10	10⅛	10⅞	10⅝
ECU Linked Dep. Bid	-	-	9⅞	10½	10¾	10½

Treasury Bills (sell); one-month 14⅞ per cent; three months 14¼ per cent; six months 13¹³⁄₁₆ per cent; Bank Bills (sell): one-month 14¹³⁄₁₆ per cent; three months 14⅞ per cent; Treasury Bills: Average tender rate of discount 14.3026 p.c. ECGD Fixed Rate Sterling Export Finance. Make up day June 29, 1990. Agreed rates for period July 25, 1990 to August 25, 1990, Scheme I: 15.84 p.c., Schemes II & III: 16.25 p.c. Reference rate for period June 1, 1990 to June 29, 1990, Scheme IV&V: 15.025 p.c. Local Authority and Finance Houses seven days' notice, others seven days' fixed. Finance Houses Base Rate 15½ from July 1, 1990: Bank Deposit Rates for sums at seven days notice 4 per cent. Certificates of Tax Deposit (Series 6); Deposit £100,000 and over held under one month 11½ per cent; one-three months 13 per cent; three-six months 13 per cent; six-nine months 13 per cent; nine-twelve months 13 per cent; Under £100,000 11½ per cent from Oct 9, 1989. Deposits withdrawn for cash 5 per cent.

MONEY MARKET FUNDS

Money Market Trust Funds

Money Market Bank Accounts

JOTTER PAD

CROSSWORD

No.7,293 Set by GRIFFIN

ACROSS

1 Needing glasses for drinks dig the set out (5-7)
10 Possibly flies home with bust, etc., on board (7)
11 Bashing one mad b— in the belly! (7)
12 Bore doctor badly (5)
13 Hypersensitive; run back covering a quarter of the ear (8)
15 Remind members we're circumnavigating lake (10)
16 Hero left after bride's reply (4)
18 Trust man will accept work (4)
20 In bed is angry before getting puzzled (10)
22 Show is set in Heaven (8)
24 Expels from Job Centre on American back street (5)
26 Feeling after sweetheart's proposal (7)
27 Typical example from top (i.e. tortuous!) compiler (7)
28 Person's mirth after making someone late? (12)

DOWN

2 Fabric layer is as rough inside (7)
3 Remembered placing ring in pipe (8)
4 Frame remains below glass bottom (4)
5 Figure part, processed, makes refreshing drink (10)
6 Died during guided tour of royal house (5)
7 Something done about Tom being upset when relegated (7)
8 Customer (just looking!) of double-glazing firm? (6-7)
9 May be on hand if there's fighting (7-6)
14 Being a student I'm first to get cold (10)
17 Caution maid on disturbing mum (8)
19 Do get by with criminal record (7)
21 Is second character without something to eat? (7)
23 Condescend to put serviceman up in study (5)
25 May be ordered off for scoffing (4)

Solution to Puzzle No.7,292

WORLD STOCK MARKETS

AUSTRIA | BELGIUM/LUXEMBOURG | DENMARK | FINLAND | FRANCE | FRANCE (continued) | GERMANY | GERMANY (continued) | ITALY | ITALY (continued) | NETHERLANDS | NORWAY | SPAIN | SWEDEN | SWITZERLAND | SOUTH AFRICA | AUSTRALIA | AUSTRALIA (continued) | HONG KONG | MALAYSIA | SINGAPORE | JAPAN

[illegible]

NOTES – Prices on this page are as quoted on the individual exchanges and are last traded prices. [illegible]

CANADA

TORONTO

Closing prices July 18

[illegible]

MONTREAL

Closing prices July 18

76821 BombrdrB	$20¾	20¾	20¾ + ⅛	
3650 Cambior	$13¾	13¾	13¾ − ⅛	
11563 Cascades	425	420	425	
1715 DomTxtA	$10¼	10¼	10¼	
500 Donohue	$12	12	12 − ¼	
14240 Memotec	$28¾	28¾	28¾	
51030 NatBk Cda	$9¾	9¾	9¾	
18870 Power Corp	$15¼	15¼	15¼	
11035 Provigo	$9¾	9⅛	9⅛	
2350 Quebecr A	$12	11⅞	11⅞ − ⅛	
10800 Quebecr B	$11½	11⅞	11⅞	
5176 Videotron	$13⅞	13⅞	13⅞ − ⅛	

Total Sales 4,018,717 shares.

INDICES

NEW YORK

DOW JONES	July 18	July 17	July 16	July 13	1990 HIGH	1990 LOW	Since compilation HIGH	Since compilation LOW
♦Industrials	2981.68	2999.75	2999.75	2980.20	2999.75 (16/7)	2543.24 (30/1)	2999.75 (16/7/90)	41.22 (2/7/32)
Home Bonds	91.00	91.12	91.26	91.17	93.04 (3/1)	89.48 (2/5)	—	—
Transport	1171.53	1187.59	1189.60	1187.59	1212.77 (6/6)	1031.83 (30/1)	1532.51 (5/9/89)	12.32 (8/7/32)
Utilities	203.53	205.11	205.86	206.17	236.23 (2/1)	203.09 (30/4)	236.23 (2/1/90)	10.50 (8/4/32)

♦Day's High 3009.65 (3024.26) Low 2963.51 (2973.05)

STANDARD AND POOR'S

	July 18	July 17	July 16	July 13	1990 HIGH	1990 LOW	Since compilation HIGH	Since compilation LOW
Composite ‡	364.22	367.52	368.95	367.31	368.95 (16/7)	322.98 (30/1)	368.95 (16/7/90)	4.40 (1/6/32)
Industrials	431.53	435.58	437.37	435.39	437.37 (16/7)	371.92 (30/1)	437.37 (16/7/90)	3.62 (21/6/32)
Financial	29.02	29.20	29.12	28.87	31.87 (3/1)	26.59 (27/4)	35.24 (9/10/89)	8.64 (1/10/74)
NYSE Composite	198.83	200.49	201.13	200.33	201.13 (16/7)	178.43 (30/1)	201.13 (16/7/90)	4.46 (25/4/42)
Amex Mkt. Value	362.06	364.39	365.58	363.99	382.45 (5/1)	342.64 (24/4)	397.03 (10/10/89)	29.31 (9/12/72)
NASDAQ Composite	460.82	464.48	469.60	468.44	469.60 (16/7)	410.72 (30/1)	485.73 (9/10/89)	54.87 (31/10/72)

	July 13	July 6	Jun 29	year ago (approx.)
Dow Industrial Div. Yield	3.62	3.71	3.74	3.63

	Jul 11	Jul 4	Jun 27	year ago (approx.)
S & P Industrial div. yield	2.90	2.92	2.97	3.17
S & P Indl P/E ratio	17.13	17.00	16.70	12.85

NEW YORK ACTIVE STOCKS

Wednesday	Stocks traded	Closing price	Change on day
Utd Telecomms	10,033,700	27¼	− 2¼
GTE Corp	3,491,300	27⅞	− ⅛
Wal-Mart	2,901,200	33¾	− ¾
Philip Morris	2,630,100	50⅞	− ¾
Reebok	2,297,200	15¼	− ⅛
Upjohn	2,193,000	43⅞	+ 2¼
Baxter Intl	1,839,400	26⅞	− ⅛
Comp Assoc	1,763,400	9½	...
IBM	1,684,100	119⅞	− ⅞
Coca Cola	1,654,700	47⅞	+ ⅛

TRADING ACTIVITY

† Volume (Millions)	July 18	July 17	July 16
New York	168.760	176.790	149.430
Amex	10.834	12.596	12.659
NASDAQ	... (u)	167.830	138.072
Issues Traded	2,027	2,032	2,031
Rises	469	648	860
Falls	1,012	874	668
Unchanged	546	510	503
New Highs	33	76	105
New Lows	99	53	40

CANADA

TORONTO	July 18	July 17	July 16	July 13	1990 HIGH	1990 LOW
Metals & Minerals	3296.25	3359.95	3403.00	3375.64	3453.05 (4/1)	2850.80 (23/4)
Composite	3580.80	3613.39	3638.85	3596.38	4009.47 (3/1)	3334.20 (1/5)
MONTREAL Portfolio	1865.04	1880.74	1897.61	1870.53	2060.90 (3/1)	1720.25 (27/4)

Base values of all indices are 100 except NYSE All Common – 50; Standard and Poor's – 10; and Toronto Composite and Metals – 1000. Toronto indices based 1975 and Montreal Portfolio 4/1/83. † Excluding bonds. ‡ Industrial, plus Utilities, Financial and Transportation. (c) Closed. (u) Unavailable.

	July 18	July 17	July 16	July 13	1990 HIGH	1990 LOW
AUSTRALIA						
All Ordinaries (1/1/80)	1615.5	1624.0	1608.2	1601.1	1713.7 (2/1)	1434.5 (30/4)
All Mining (1/1/80)	785.8	787.0	778.5	763.1	860.8 (5/1)	711.7 (2/7)
AUSTRIA						
Credit Aktien (30/12/84)	669.88	658.41	670.37	656.43	703.29 (19/3)	526.59 (2/1)
BELGIUM						
Brussels SE (Cash Mkt) (1/1/80)	6257.23	6262.11	6260.76	6247.59	6599.43 (12/1)	5568.16 (26/2)
DENMARK						
Copenhagen SE (3/1/83)	386.40	385.04	383.34	380.74	386.40 (18/7)	352.96 (25/4)
FINLAND						
Unitas General (1975)	533.8	532.7	533.3	534.4	677.3 (23/1)	532.7 (17/7)
FRANCE						
CAC General (31/12/82)	537.42	538.38	534.40	533.22	564.62 (30/5)	482.94 (26/2)
CAC 40 (31/12/87)	2029.60	2019.50	2015.59	1998.34	2129.32 (20/4)	1800.32 (26/2)
GERMANY						
FAZ Aktien (31/12/58)	832.07	818.04	819.52	818.15	830.92 (3/4)	732.71 (24/1)
Commerzbank (1/12/53)	2400.80	2359.30	2366.0	2363.4	2414.0 (3/4)	2151.5 (24/1)
DAX (30/12/87)	1966.04	1929.08	1931.86	1931.33	1968.55 (30/5)	1756.41 (24/1)
HONG KONG						
Hang Seng Bank (31/7/64)	3528.29	3463.94	3488.85	3507.16	3528.29 (18/7)	2738.24 (1/2)
IRELAND						
ISEQ Overall (4/1/88)	1645.40	1646.33	1646.82	1652.10	1893.10 (22/1)	1582.61 (2/5)
ITALY						
Banca Com. Ital. (1972)	746.02	736.28	730.99	732.19	763.52 (14/6)	646.73 (26/2)
JAPAN						
Nikkei (16/5/49)	33848.11	33172.28	33021.73	32644.37	38712.88 (4/1)	28002.07 (2/4)
Tokyo SE (Topix) (4/1/68)	2397.78	2407.31	2400.16	2369.84	2867.70 (4/1)	2058.82 (5/4)
2nd Section (4/1/68)	4402.08	4431.50	4477.16	4467.25	4477.16 (16/7)	3313.92 (5/4)
MALAYSIA						
KLSE Composite (4/4/86)	630.27	631.13	630.52	616.70	631.13 (17/7)	518.53 (2/5)
NETHERLANDS						
CBS Ttl Rtn Gen (End 1983)	270.5	271.8	271.5	270.1	271.8 (17/7)	240.1 (26/2)
CBS All Shr (End 1983)	201.5	202.4	202.2	201.2	206.3 (3/1)	184.2 (26/2)
NORWAY						
Oslo SE (Ind) (2/1/83)	859.02	862.79	862.53	860.88	862.79 (17/7)	701.67 (2/1)
PHILIPPINES						
Manila Comp (2/1/85)	882.22	897.17	891.50	884.17	1168.70 (21/3)	740.31 (6/6)
SINGAPORE						
SES All-Singapore (2/4/75)	444.37	446.32	446.87	444.97	446.87 (16/7)	401.34 (30/4)
SOUTH AFRICA						
JSE Gold (28/9/78)	1524.0	1548.0	1566.0	1535.0	2230.0 (16/1)	1322.0 (20/6)
JSE Industrial (28/9/78)	2957.0	2957.0	2967.0	2967.0	3211.0 (6/2)	2794.0 (25/4)
SOUTH KOREA**						
Korea Comp Ex. (4/1/80)	698.02	(c)	683.01	688.78	928.82 (4/1)	683.01 (16/7)
SPAIN						
Madrid SE (30/12/85)	303.45	308.10	309.74	306.57	309.74 (16/7)	248.17 (2/4)
SWEDEN						
Affärsvärlden Gen. (1/2/37)	1319.1	1321.5	1321.9	1324.9	1329.9 (5/7)	1127.20 (2/4)
SWITZERLAND						
Swiss Bank Ind. (31/12/58)	828.20	(u)	(u)	845.5	845.5 (13/7)	737.6 (27/3)
TAIWAN**						
Weighted Price (30/6/66)	4777.84	4808.41	4709.75	4854.72	12495.34 (10/2)	4524.55 (5/7)
THAILAND						
Bangkok SET (30/4/75)	1095.28	1064.09	1054.25	1053.59	1095.28 (18/7)	760.39 (7/2)
WORLD						
M.S. Capital Intl. (1/1/70)	(u)	539.4	539.8	536.0	571.0 (4/1)	468.3 (2/4)

**Saturday July 14: Taiwan Weighted Price: 4813.07, Korea Comp Ex. 689.19

‡ Subject to official recalculation.

Base values of all indices are 100 except: Brussels SE, ISEQ Overall and DAX – 1,000, JSE Gold – 255.7, JSE Industrials – 264.3 and Australia All Ordinary and Mining – 500; (c) Closed. (u) Unavailable.

TOKYO – Most Active Stocks

Wednesday July 18 1990

	Stocks Traded	Closing Prices	Change on day
Nippon Lght Mtl	23.9m	1,100	+100
Kurabo	18.8m	1,150	+80
Japan Mtl&Chml	12.1m	2,020	+130
Toko	11.1m	1,280	+50
MHI	10.7m	1,010	+10
Jujo Paper	7.9m	970	+100
Nishimatsu Cnstr	7.4m	1,480	+70
Mitsui Mng&Sml	6.8m	810	+6
Nippon Road	6.5m	2,240	+90
Boman	6.1m	1,560	+60

4pm prices July 18

NEW YORK STOCK EXCHANGE COMPOSITE PRICES

12 Month High	Low	Stock	Div.	Yld.	P/E	Sls 100s	High	Low	Close Quote	Ch'ge Prev. Close
		– A – A – A –								
37½	19	AAR	.48	2.1	14	898	23	22⅜	22¾	+ ⅛
9¾	8	ACM n	1.01	12.		417	8¾	8½	8⅝	+ ⅛
11⅝	9⅞	ACMIn	1.25	12.		538	10⅞	10¾	10¾	
9¼	7¼	ACM M	pf1.01	12.		382	8¼	8	8⅛	
12⅛	10	ACMMM				163	11½	11¼	11⅜	
11½	9⅞	ACM Sc	1.28	12.		872	10⅞	10	10⅛	+ ⅛
8⅞	8⅛	ACMSp	1.01	12.		800	8⅝	8¼	8¼	– ⅛
24⅝	14½	AL Lab	.16	.7	20	112	23	22¾	22⅞	– ⅛
5¼	2⅛	AM Intl				604	2½	2⅜	2½	+ ⅛
23¼	10¼	AM In pf	2	16.		23	12⅜	12⅜	12⅜	
107¼	52½	AMR			12	9128	63¾	61⅛	61⅝	–2⅞
4⅝	3	APX				201	3⅜	3¼	3¼	
72¼	41⅞	ASA	3a	6.4		462	47¼	46¼	46⅝	– ⅛
46⅝	30⅝	AbtLab	s.84	1.9	21	6349	44½	43⅝	44⅞	– ⅛
15½	11¼	AbitibI	g.50			42	13⅝	13½	13½	– ⅛
12⅛	7½	AcmeC	.40	4.8	10	57	8¼	8⅛	8¼	+ ⅛
48	28⅞	Acuson			28	747	47⅞	47⅛	47⅜	– ⅛
16⅞	14⅛	AdaEx	2.06e	12.		104	16½	16⅜	16½	+ ⅛
15⅛	10	Adobe				65	11½	11½	11½	
20¼	18	Adob pf	1.84	9.4		32	19⅝	19⅝	19⅝	+ ¼
21⅝	20⅛	Adob pf	2.40	11.		10	21	21	21	
11⅞	6⅞	AMD			19	1781	9⅞	9⅛	9⅛	– ⅛
10⅛	3⅞	Advest	.16	3.8	53	100	4¼	4⅛	4¼	+ ⅛
62½	45¼	AetnLf	2.76	5.2	9	2304	53⅛	52⅝	52¾	– ¾
13⅞	8¾	AflPb	.24	2.4		1227	10¼	10	10⅛	– ⅛
25	18⅛	Ahmans	.88	4.0	16	4663	22⅛	21½	21⅞	– ⅛
3⅝	1⅞	Aileen				207	2⅜	2⅜	2⅜	– ⅛
61	42	AirPrd	1.44	2.5	15	1248	59½	58⅝	58⅝	–1
28⅞	14½	AirFrt	s		17	813	26	25⅝	25¾	– ⅛
25⅛	15½	Airgas			31	158	19⅞	19⅝	19⅝	
20¼	18½	Airlease	2.52	13.	9	17	19	18¾	18⅞	
10⅛	9⅛	AlaP	dpf.87	9.2		29	9⅝	9⅜	9½	+ ⅛
98⅝	92	AlaP pf	9	9.5		270	95	95	95	– ¼
107	102	AlaP pf	11	10.		220	105¾	105¼	105¾	– ¼
93	84	AlaP pf	8.16	9.5		250	86¼	86¼	86¼	+ ¼
30½	19¼	AlskAir	.20	.9	11	195	23⅛	22⅞	22⅞	– ¾

Continued on Page 39

NYSE COMPOSITE PRICES

Continued from previous Page

12 Month High	Low	Stock	Div.	Yld.	P/E	Sls 100s	High	Low	Close	Ch'ge Prev. Close
38¾	27	Wolwth a1.04		3.0	14	3590	35¼	34¼	35	- ⅛
15½	6½	WrldCp				180	38	8⅛	8	8
19⅞	15⅝	WrldVl 1.98e		12.		10	17	16⅞	16⅞	+ ⅛
58½	38¼	Wrigley	.88	1.5	21	393	58½	57¼	58½	+ ½
15⅛	7¾	WyleLb	.28	1.9	16	826	15	14½	14⅝	- ⅛
27¼	18	Wynns	.60	2.6	14	1	22⅞	22⅞	22⅞	+ ⅛
		- X-Y-Z -								
68½	43¼	Xerox	3	6.3	8	8187	48⅛	46¾	47⅞	+1
49	45⅜	Xerox pf4.13		8.9		2	46½	46½	46½	- ¼
34	21⅛	XTRA	.48a	2.3		64	21¼	d21⅛	21⅛	- ½
4⅞	1½	Zapata				93	1⅞	1⅝	1⅝	- ⅛
12	5⅛	Zemex				75	5½	d 5	5	- ⅛
19	7⅛	ZenithE				4606	7¾	d 7½	7⅝	
21½	13½	ZenNtl	.88	5.9	9	122	15	15	15	
9⅝	6⅝	Zenix	.90	16.		z370	6¼	6	6⅛	
18½	12⅞	Zero s	.40	2.7	14	620	15⅛	14¾	14⅞	+ ⅛
61⅞	34⅝	Zurnin	.76	1.5	22	282	50¾	50½	50⅝	
12⅝	10⅞	Zweig	1.21e	11.		187	11½	11⅜	11½	+ ⅛
10	9	ZweigTl	.96	10.		1342	9⅝	9¼	9⅝	+ ⅛

Sales figures are unofficial. Yearly highs and lows reflect the previous 52 weeks plus the current week, but not the latest trading day. Where a split or stock dividend amounting to 25 percent or more has been paid, the year's high-only range and dividend are shown for the new stock only. Unless otherwise noted, rates of dividend are annual disbursements based on the latest declaration.

a-dividend also extra(s). b-annual rate of dividend plus stock dividend. c-liquidating dividend. cld-called. d-new yearly low. e-dividend declared or paid in preceding 12 months. g-dividend in Canadian funds, subject to 15% non-residence tax. i-dividend declared after split-up or stock dividend. j-dividend paid this year, omitted, deferred, or no action taken at latest dividend meeting. k-dividend declared or paid this year, an accumulative issue with dividends in arrears. n-new issue in the past 52 weeks. The high-low range begins with the start of trading. nd-next day delivery. P/E price-earnings ratio. r-dividend declared or paid in preceding 12 months, plus stock dividend. s-stock split. Dividends begin with date of split. sls-sales. t-dividend paid in stock in preceding 12months, estimated cash value on ex-dividend or ex-distribution date. u-new yearly high. v-trading halted. vi-in bankruptcy or receivership or being reorganised under the Bankruptcy Act, or securities assumed by such companies. wd-distributed. wi-when issued. ww-with warrants. x-ex-dividend or ex-rights. xdis-ex-distribution. xw-without warrants. y-ex-dividend and sales in full. yld-yield. z-sales in full.

AMEX COMPOSITE PRICES

4pm prices July 18

NASDAQ NATIONAL MARKET

3pm prices July 18

FINANCIAL TIMES Thursday July 19 1990

AMERICA

Disappointing quarterlies and inflation data hit Dow

Wall Street

A LARGER than expected rise in June consumer prices, coupled with a raft of corporate earnings disappointments, sent the Dow Jones Industrial Average tumbling yesterday, *writes Janet Bush in New York.*

The Dow closed 18.07 off at 2,981.68 on moderate volume of 169m shares. On Tuesday, it ended unchanged at 2,999.75 as stocks continued to experience resistance at the 3,000 level.

The consumer prices index rose 0.5 per cent in June, giving a compounded annual rate of 6.7 per cent. Excluding the volatile food and energy components, the CPI was still up by 0.4 per cent. This was higher than financial markets had anticipated, and Mr Alan Greenspan, chairman of the US Federal Reserve who was giving his semi-annual Humphrey-Hawkins testimony on monetary policy to Congress yesterday, said that it was higher than he liked.

The CPI served to focus market attention on inflation trends. Mr Greenspan said the Fed now believed that the risk of recession was somewhat greater than the risk of an upturn in inflation. This was taken, at least in the Treasury bond market, as an indication that the Fed is prepared to tolerate a higher rate of inflation in order to keep the economy growing.

This interpretation sent bonds down by around 7/8 of a point at the long end of the yield curve, which in turn kept equities on the defensive. For the share market, Mr Greenspan's message was mixed, with concern about inflation balanced by reassurance that the Fed is committed to economic growth.

Given that the latest round of quarterly corporate earnings has yielded quite a few disappointments as company profitability is eroded by sluggish economic growth, Mr Greenspan's apparent commitment to avoiding a recession may come as some comfort. Indeed, stocks bounced a little as the first Greenspan statements emerged.

Polaroid was one of yesterday's obvious casualties, dropping $3⅛ to $36⅛ on announcing a 23 per cent decline in second-quarter earnings, compared with a year ago, and saying that it expected operating profits for the full year to be flat or slightly lower.

On the over-the-counter market, MCI Communications fell $1⅞ to $36⅛ in sympathy with continuing disappointment about Tuesday's earnings from United Telecommunications.

Eli Lilly weakened $3⅞ to $85 after a New York woman filed a lawsuit charging that the anti-depressant drug Prozac, marketed by Lilly, had caused her to attempt suicide. This may well be a landmark case because it involves a drug widely hailed as a wonder drug for treating depression.

Xerox added $1⅛ at $47⅞ after its top two executives said it plans to pull out of any financial services operation which does not promise at least a 15 per cent average annual return on equity.

Canada

THE US consumer price data also acted as a depressant for the Toronto market, which extended Tuesday's fall over a broad front in light trading.

The composite index ended 32.6 down at 3,580.8, its low for the day, making a two-day loss of 58 points. Declines outscored advances by 345 to 189 and volume contracted to 17.1m shares from the previous day's 20.9m.

Canadian Pacific Forest Products lost C$1¼ to C$29 on reporting a drop in second-quarter earnings to 15 cents a share from C$1.66. MacMillan Bloedel, with second-quarter net down to 25 cents from 61 cents, declined C$¼ to C$17.

Bombay resumes record-breaking course

The bull run seems to have survived the recent political tremors, writes R.C. Murthy

THE POLITICAL crisis which rocked Prime Minister V.P. Singh's administration last weekend appears to have been a short-term affair, both for the Government and the stock market which reflected it.

The seven-month-old coalition National Front Government ran into trouble with the appointment of the son of Deputy Prime Minister Devi Lal as the chief minister for the northern state of Haryana. The 30-share index of the Bombay Stock Exchange (BSE), India's largest and accounting for two-thirds of national trading, dipped nearly 34 points on Monday to 886.33, the sharpest fall since the present rally began more than a month ago.

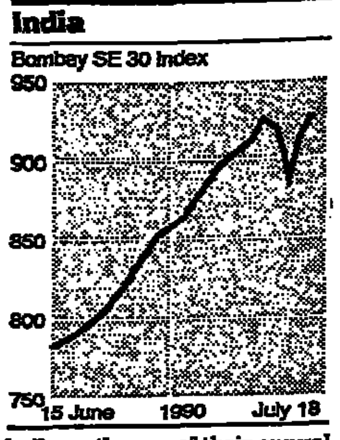
However, the crisis was defused when Mr Lal's son resigned from the offending post; on Tuesday the BSE index recovered 30.60, or 3.45 per cent, to 916.93, and yesterday it rose to a record high of 926.92.

The market, therefore, is unequivocally back in a strong bull phase. Before last weekend, share prices had surged by more than 17 per cent in a month. Daily average turnover doubled to Rs1.75bn ($102m) in June from February's level of Rs880m.

The foundations of the rally were set in May, when the Government liberalised industrial policy and carried industry deregulation a step forward by facilitating foreign investment up to 40 per cent of equity of any given Indian company. The situation on the Indo-Pakistan front defused; and blue chip companies reported excellent annual results, lifted dividends and announced scrip issues. Monsoon rains came on time early in June, holding out good harvest prospects for the third year in succession.

The equity market ignored these strong fundamentals for a while; but in mid-June, Associated Cement Companies (ACC) and Bombay Dyeing and Manufacturing brought out the bulls on the eve of their annual results.

India



ACC, the price of which doubled to more than Rs700 in a month, is still on the upgrade; official measures to contain the speculation have had little effect. First a cash margin of Rs400 was stipulated for ACC purchases, followed by quantitative restrictions on trading. Mutual funds took the opportunity to sell shares and book profit.

On July 6, the Unit Trust of India, the country's biggest domestic mutual fund, offloaded Rs100m worth of shares, including Rs40m accounting for 1 per cent of ACC capital. This made little impact on share prices, the 30-share index staying put at 896.

Ultimately, the BSE authorities suspended trading in ACC for the day on July 13, which was 24 hours before the political crisis hit the news. Brokers are indefinitely prohibited from increasing their gross outstanding positions from the weekend levels in six other shares besides ACC, and jobbers have been told to restrict their business, which will be scrutinised daily. In spite of the restrictions, ACC jumped Rs100 to Rs800 on Tuesday, and consolidated with another Rs10 gain to R810 yesterday.

Not all of the market feels that the political crisis has blown over for good and all. One section sees prospects for Reliance Industries, the industrial company which grew fastest during the Rajiv Gandhi administration but which took a beating from the present regime. Once a blue chip, the shares plunged during this period from a peak of Rs390 four years ago to about Rs60 earlier this year. However, last week it bounced back to about Rs95, and analysts say that it would benefit from a renewal of political uncertainty.

Meanwhile, the broad market is confident. Mutual funds are expected to invest Rs25bn in corporate stocks this year, double the amount they put into the market last year, anticipating a continued surge in share prices. There have been fewer new capital issues this year and the focus of investors is on the secondary market. Some analysts say that the 30-share index may cross the 1,000 level before the bull phase peters out – unless something unforeseen happens.

ASIA PACIFIC

Nikkei's climb reversed by interest rate rise

Tokyo

HIGHER short-term interest rates caused share prices to close lower yesterday for the first time in six trading sessions, *writes Michiyo Nakamoto in Tokyo.*

Investors turned cautious after a five-day rally in which the Nikkei average had gained more than 1,000 points. The market began the day on a weak note and failed to recover, with the average barely managing to close above the 33,000 level at 33,048.11, down 124.17.

During the day the Nikkei moved from a high of 33,186.80 to a low of 32,971.95. Declines outnumbered advances by 505 to 446 and 176 issues were unchanged. The 10 most heavily traded issues, however, were all higher.

Volume was on the same level as on Tuesday at 600m shares. The Topix index of all listed stocks receded 9.53 to 2,397.78 but in London trading the ISE/Nikkei 50 index edged up 0.47 to 1,789.35.

Interest rate worries continued to colour the mood of the market; investors took profits on issues that had risen strongly recently. Blue chips, in particular, were casualties, with Sony down Y80 at Y8,900 and NEC off Y30 at Y1,990. Fuji Photo Film lost Y100 to Y4,850.

Banks were also sluggish in the face of higher interest rates. Industrial Bank of Japan shed Y100 to Y4,000 and Daiichi Kangyo Bank dropped Y40 to Y2,410.

On the other hand, issues supported by special situations posted strong gains. Nippon Light Metal, the largest domestic aluminium producer, topped the actives list with 23.9m shares traded and gained Y100 to a record Y1,190.

The stock was favoured because of the strength of growing aluminium demand, especially from carmakers, which are increasingly using aluminium for components. Carmakers are under pressure from environmentalists to improve mileage, and one way of doing this is to use lighter metals such as aluminium. In addition, Nippon Light Metal was expected to post record pre-tax profits for the current business year and was subject to rumours that a subsidiary might go public.

Issues backed by talk of speculative interest were strong, with Kurabo, the textiles company, holding second place on the actives list with 18.5m shares traded and rising Y80 to Y1,150. The issue has been chased on rumours that the same speculative group that has been buying into Honshu Paper was also chasing Kurabo.

Paper companies stayed in the limelight, with Jujo Paper taking over from Honshu as the sector favourite. Jujo advanced Y100, the maximum amount allowed, to Y970 on rumours of speculative interest. Sanyo Kokusaku Pulp rose Y74 to Y779, while Honshu finished unchanged at Y3,410 after its 16 per cent gain in the five days to Tuesday.

Infrastructure-related issues continued to be popular. The Japanese Government is committed to spending Y430trn on public infrastructure improvement over the next decade, and a number of Japanese securities firms have launched funds targeting stocks likely to benefit from public spending. Nippon Road, a road paver, gained Y90 to Y2,240 and Nishimatsu Construction, which has expertise in civil engineering, advanced Y70 to Y1,480.

Buying interest was low in Osaka, where the OSE average closed 11.27 higher at 36,741.16. Turnover fell from Tuesday's 73m shares to 55m.

Roundup

IT WAS a good day for Hong Kong, Thailand and South Korea, but most other regional markets eased.

HONG KONG surged 1.8 per cent in its biggest gain since February, as bulls stormed back after a two-day breather encouraged by signs of easing credit. The Hang Seng Index rose 64.35 to 3,528.29, its ninth post-crash high in less than three weeks. Turnover swelled to HK$2.28bn from HK$1.77bn.

BANGKOK climbed to a record level on encouraging corporate earnings reports, ignoring the start of a no-confidence debate in Parliament. The composite SET index rose 31.19 to an all-time peak of 1,095.28.

SEOUL firmed, reflecting hopes that South Korea would soon improve diplomatic relations with the Soviet Union and reports that foreigners might be allowed to buy local stocks next year. The composite index added 15.00 at 698.01.

SINGAPORE slipped, although a new issue, Hotel Plaza, made an assertive debut. The stock, offered at 70 cents a share, jumped to S$1.04 and accounted for one third of the day's turnover.

Development & Commercial Bank fell 6 cents to S$1.61 on news that UIC was selling its 20 per cent equity stake to the Malaysian brokerage Rashid Hussein for M$223.8m, or about S$1.22 a share. UIC rose 6 cents to S$2.91, as the sale was expected to reduce its debt.

The Straits Times Industrial index lost 5.12 to 1,565.92.

MANILA was dragged lower by a sell-off in mining shares on concern that Monday's earthquake would cause a sharp decline in production. The composite index fell 14.95 to 882.22.

NEW ZEALAND responded to the news that Brierley Investments had lifted its stake in Carter Holt Harvey to 9.6 per cent from 4.8 per cent, at a cost of NZ$85.5m, buying from Krondor Corp. Brierley Investments firmed 1 cent to NZ$1.99 while CHH also added 1 cent at NZ$3.07. But the Barclays index shed 1.93 to 1,998.99 as turnover rose to 15m shares or NZ$29m from 11m or NZ$22m.

AUSTRALIA was easier as the All Ordinaries index lost 8.5 to 1,615.5. Turnover fell to 99m shares or A$238m from 113m shares or A$280m. BHP lost 15 cents to A$10.75, after earlier reaching a two-year high of A$10.90.

TAIWAN lost ground in featureless trading. The weighted index dipped 40.57 to 4,777.84.

KUALA LUMPUR ended easier after a strong opening.

SOUTH AFRICA

GOLD shares eased as the market looked for new direction from the bullion price. The JSE all-gold index slipped 24 to 1,524 and the overall index lost 15 to 3,053. Vaal Reefs fell R3 to R282 while De Beers gave up R1 to R89.75.

EUROPE

Transatlantic threat to senior bourses' strength

SENIOR markets were mostly better yesterday, although their performance was not improved by Wall Street's opening decline, *writes Our Markets Staff.*

FRANKFURT was invigorated by some very big buy orders from New York which arrived in Tuesday's after-market and carried over into yesterday. They included one for 15,000 Allianz shares, which added up to nearly DM45m at Tuesday's closing price of DM2,923 a share, against turnover of DM152m in the stock that day.

Allianz closed DM152 higher yesterday at DM3,075 in trade of DM528m. The FAZ index put on 14.03 to 832.07 at midsession and the DAX index closed 37.04 or 1.9 per cent higher at 1,966.04 against its 1990 high of 1,968.55.

Volume took off, rising by DM3.9bn to DM11.6bn. Among active stocks were Dresdner, up DM17 at DM472.5 after a good run which, on Tuesday, took it through the DM455 chart resistance level.

British institutions joined the American buyers, and equities also rose in response to the improving bond market: an 80 pfg gain in bund futures, closing at their high for the day, compared with a normal intraday movement of 50 pfg.

This shored up the financials: banks and insurances were broadly, and relatively, strong. Chemicals slowed a little after their recent outperformance and carmakers, too, were muted – although VW rose DM7.20 to DM623.2 after its recent downgrading.

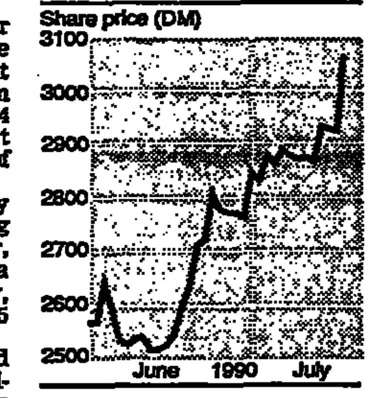
MILAN breathed a sigh of relief that Lombardfin, the local broker, had managed to resolve its financial predicament thanks to political pressure on its banks.

The banks reportedly agreed to buy stock in Paf, a holding company, from Lombardfin which allowed it to meet its stock settlement obligations. Consequently fears that Lombardfin would have to dump more stock on the market faded.

Banks led the gains in trading dominated by domestic professional traders covering short positions. The Comit index rose 9.82 to 746.02.

AMSTERDAM was unnerved by an unexpected profit-warning from Pirelli Tyre, which prompted analysts to cut their 1990 and 1991 earnings forecasts. The stock, which was floated last July at a price of Fl 55, fell to Fl 25.10 during the day but closed Fl 1 lower at Fl 25.80. Mr John Longhurst at James Capel cut his 1990 EPS estimate to Fl 2 from Fl 4.25.

Allianz Holdings



Akzo, the chemicals company, continued to be depressed by a negative article in a Dutch newspaper last weekend. The stock slipped Fl 2.60 to Fl 119.40. The CBS Tendency index lost 0.3 to 121.5 after an earlier high of 122.6.

PARIS continued to rise on hopes of lower interest rates, but its advance was cut short by the disappointing inflation figures in the US and Wall Street's early declines.

The CAC 40 index closed at 2,029.60, up 10.10, after reaching 2,035.95. Turnover was estimated as moderate at about FFr2bn.

The day's winners included stocks that would benefit from interest rate cuts, with Suez gaining FFr9.10 to FFr434.10 in active trading of 386,600 shares, Société Générale rising FFr15 to FFr575 on 134,400 shares and Compagnie Bancaire advancing FFr25 to FFr590.

Cap Gemini Sogeti, the computing services company, rose FFr7 to FFr470 on the news that it was buying 69.5 per cent of Hoskyns of the UK for £199m. Lafarge Coppée gained another FFr7.80 to FFr484.90 with 239,960 shares exchanged as it continued to benefit from Monday's purchase of an East German cement producer.

MADRID fell sharply as investors took further profits, with the general index losing 4.66, or 1.5 per cent, to 303.45. Banks and construction stocks retreated, with BBV falling Pta165 to Pta3,500 and Banesto shedding Pta120 to Pta4,640, while Telefónica was one of the few stocks to rise, gaining Pta2 to Pta951 in heavy trading of 2.5m shares.

VIENNA rose in busy trading after Tuesday's profit-taking, with the bourse index gaining 9.32 to 712.42. Winners included construction and insurance stocks, with Strabag, the building company, up Sch1,600 at Sch34,600.

BRUSSELS saw Delhaize rise BFr70 to BFr6,740 after a steep rise in the stock price of its US unit, Food Lion. The cash market index eased 4.88 to 6,257.23 in volume of BFr1bn.

COPENHAGEN reported its third record in succession as the SE index rose 1.36 to 386.40.

Mr David Longmuir of Kleinwort Benson said that the market was being driven by excellent institutional liquidity following fewer issues, and accelerated redemptions on the government bond market. It was also encouraged by the fall in inflation which was now well under 3 per cent.

"There is a feeling that Denmark has turned the corner," he said, "and it is certainly being taken more seriously by foreign investors."

FT-ACTUARIES WORLD INDICES

Jointly compiled by The Financial Times Limited, Goldman, Sachs & Co., and County NatWest/Wood Mackenzie in conjunction with the Institute of Actuaries and the Faculty of Actuaries

NATIONAL AND REGIONAL MARKETS	WEDNESDAY JULY 18 1990								TUESDAY JULY 17 1990					DOLLAR INDEX		
Figures in parentheses show number of lines of stock	US Dollar Index	Day's Change %	Pound Sterling Index	Yen Index	DM Index	Local Currency Index	Local % chg on day	Gross Div. Yield	US Dollar Index	Pound Sterling Index	Yen Index	DM Index	Local Currency Index	1990 High	1990 Low	Year ago (approx)
Australia (80)	151.91	−0.1	123.71	141.39	129.80	127.61	−0.4	5.46	152.09	124.44	142.62	130.15	128.06	158.31	125.85	134.93
Austria (19)	275.70	+1.5	224.53	256.62	235.57	234.78	+0.7	1.24	271.72	222.32	254.81	232.53	233.15	285.63	193.15	123.95
Belgium (61)	153.02	+0.6	124.62	142.42	130.75	127.74	+0.2	4.53	152.09	124.44	142.61	130.15	127.52	160.02	132.11	131.33
Canada (119)	140.62	−0.4	114.52	130.88	120.14	117.40	−0.7	3.45	141.23	115.55	132.43	120.85	118.27	153.61	130.37	145.66
Denmark (33)	268.58	+0.5	218.73	249.99	229.49	228.31	+0.0	1.27	267.29	218.70	250.66	228.73	228.39	268.58	236.69	210.57
Finland (26)	134.03	+0.1	109.15	124.76	114.52	107.99	−0.3	2.54	133.93	109.58	125.60	114.61	108.31	152.29	129.99	139.98
France (124)	161.74	+0.6	131.72	150.54	138.19	139.92	+0.5	2.93	160.84	131.60	150.81	137.62	139.27	168.85	141.69	125.09
West Germany (92)	141.96	+2.0	115.61	132.15	121.30	121.30	+1.8	1.86	139.24	113.93	130.59	119.16	119.15	141.96	122.05	94.06
Hong Kong (46)	145.71	+1.7	118.66	135.62	124.51	145.29	+1.7	4.32	143.24	117.20	134.32	122.58	142.89	145.71	112.24	105.91
Ireland (17)	187.40	+0.2	152.61	174.43	160.12	161.84	+0.1	2.71	186.95	152.96	175.31	159.98	161.66	198.57	172.72	146.43
Italy (96)	107.62	+1.6	87.65	100.17	91.95	96.75	+1.5	2.43	105.93	86.67	99.33	90.65	95.33	109.26	91.85	91.35
Japan (454)	156.35	+0.3	126.52	144.60	132.76	144.60	−0.5	0.58	154.96	126.79	145.31	132.62	145.31	197.26	124.40	177.46
Malaysia (35)	248.91	−0.1	202.71	231.67	212.68	259.17	−0.2	2.09	249.12	203.83	233.60	213.18	259.58	249.12	204.15	190.26
Mexico (13)	532.24	+0.9	433.45	495.41	454.78	1673.62	+0.9	0.31	527.46	431.57	494.62	451.38	1658.58	549.86	324.53	262.79
Netherland (43)	145.80	−0.4	118.74	135.71	124.58	123.28	−0.5	4.58	146.36	119.75	137.25	125.25	123.91	146.36	130.43	125.00
New Zealand (17)	70.60	+0.0	57.50	65.72	60.33	63.25	+0.0	6.93	70.63	57.79	66.24	60.44	63.27	75.36	59.57	65.08
Norway (23)	249.17	−0.4	202.92	231.93	212.91	212.78	−1.0	1.49	250.28	204.78	234.70	214.18	214.88	250.28	202.34	190.81
Singapore (26)	209.19	+0.0	170.36	194.72	178.74	175.02	−0.1	2.06	209.24	171.20	196.21	179.05	175.15	209.24	179.70	169.05
South Africa (60)	178.14	−0.2	145.08	165.81	152.21	154.83	−0.6	3.84	178.59	146.12	167.47	152.82	155.83	251.39	170.00	148.94
Spain (42)	179.21	−1.6	145.95	166.81	153.13	136.85	−1.8	4.01	182.06	148.96	170.73	155.79	139.37	182.25	132.84	151.29
Sweden (34)	230.17	+0.2	187.44	214.24	196.67	202.48	−0.3	2.00	229.81	188.03	215.51	196.67	203.19	232.74	173.89	177.80
Switzerland (66)	106.82	−0.8	86.99	99.43	91.28	93.28	−0.6	2.21	107.68	88.10	100.98	92.15	93.86	109.77	88.75	85.21
United Kingdom (308)	176.18	+0.0	143.48	163.97	150.52	143.48	−0.4	4.75	176.14	144.12	165.16	150.72	144.12	176.18	139.87	153.44
USA (539)	147.02	−0.9	119.73	136.85	125.62	147.02	−0.9	3.31	148.38	121.40	139.15	126.98	148.38	148.95	130.61	136.69
Europe (981)	156.65	+0.4	127.58	145.81	133.86	130.84	+0.1	3.52	156.01	127.65	146.30	133.51	130.68	156.65	135.57	126.60
Nordic (116)	216.53	+0.2	176.34	201.54	185.01	179.86	−0.3	1.69	216.09	176.80	202.84	184.92	180.21	216.53	185.01	171.29
Pacific Basin (659)	154.75	+0.3	126.03	144.05	132.23	143.71	−0.4	0.89	154.33	126.28	144.73	132.07	144.33	192.75	124.63	173.13
Euro – Pacific (1640)	155.94	+0.3	126.99	145.13	133.23	139.10	−0.2	1.97	155.42	127.17	145.74	133.00	139.38	174.18	130.36	154.65
North America (658)	146.53	−0.9	119.33	136.40	125.22	145.05	−0.9	3.31	147.84	120.97	138.66	126.54	146.35	148.43	131.02	137.13
Europe Ex. UK (678)	143.45	+0.7	116.83	133.55	122.60	122.85	+0.5	2.70	142.49	116.59	133.65	121.96	122.21	143.45	124.81	109.76
Pacific Ex. Japan (205)	146.72	+0.6	119.49	136.59	125.38	129.83	+0.3	4.74	146.02	119.47	136.95	124.97	129.39	146.72	122.53	121.18
World Ex. US (1832)	155.86	+0.3	126.93	145.08	133.18	138.92	−0.2	2.03	155.39	127.14	145.73	132.98	139.22	173.77	131.30	164.35
World Ex. UK (2068)	149.18	−0.1	121.49	138.87	127.48	141.29	−0.5	2.19	149.37	122.22	140.08	127.84	141.93	162.00	130.80	146.40
World Ex. So. Af. (2311)	151.41	−0.1	123.31	140.95	129.39	141.38	−0.5	2.45	151.58	124.02	142.16	129.72	142.00	161.84	131.95	147.00
World Ex. Japan (1917)	151.13	−0.3	123.08	140.68	129.15	140.02	−0.4	3.46	151.59	124.03	142.17	129.74	140.63	151.59	134.62	132.77
The World Index (2371)	151.58	−0.1	123.44	141.09	129.52	141.46	−0.5	2.46	151.74	124.16	142.30	129.86	142.10	162.05	132.25	147.01